

AMERICAN SOCIETY OF MILITARY COMPTROLLERS

WASHINGTON



CHAPTER

P. O. BOX ~~2051~~ 2069

ARLINGTON, VIRGINIA 22202

November 20, 1975

Lieutenant General Vernon A. Walters, USA
Deputy Director
Central Intelligence Agency
Washington, D.C. 20505

Dear General Walters:

On behalf of the Washington Chapter of the American Society of Military Comptrollers, I wish to thank you for your fine address given at our November 19 luncheon meeting. Many of our members have made a special point of calling to tell me how much they enjoyed your talk.

Your message on the need for a strong intelligence network came through loud and clear, and your candid comments and frank responses to our questions were particularly appreciated.

Again, thank you. You can count on the support of the military financial management community.

Sincerely,

A handwritten signature in dark ink, appearing to read "G. H. Eckert", with a long horizontal line extending to the right.

G. H. ECKERT
Captain, SC, USN
Chapter President

WASHINGTON



CHAPTER

P. O. BOX ~~2181~~ 2069
ARLINGTON, VIRGINIA 22202

November 11, 1975

Lieutenant General Vernon A. Walters
Deputy Director
Central Intelligence Agency
Washington, D.C. 20505

Dear General Walters:

Our members are looking forward to your appearance at the November 19 luncheon meeting of the Washington Chapter of the American Society of Military Comptrollers. In order to give our junior members an opportunity to mix more with our flag rank members, we do not use a formal head table at our meetings. However, I thought you might like to know a bit about several of the people who will be seated at your table during lunch.

Captain Andy Giordano, SC, USN, who is our Chapter Navy Vice President in addition to being Deputy Commander for Financial Management and Comptroller of the Naval Supply Systems Command, will introduce you. Also at your table will be Mr. Joe Welsch, our National President and Deputy Assistant Secretary of Defense (Management Systems); Mr. Gary Penisten, Assistant Secretary of the Navy (Financial Management); and Brigadier General John Blount, USA, our National Army Vice President and Director of the Operations and Maintenance, Army Appropriation.

Please have someone call me at OX7-3355 if you have any special requirements for your speech or if I can provide you with transportation to the meeting.

Sincerely,

A handwritten signature in dark ink, appearing to read "G. H. Eckert".

G. H. ECKERT
Captain, SC, USN
Chapter President

Handwritten notes in the bottom left corner, including the word "hymn" and other illegible scribbles.

WASHINGTON



CHAPTER

P. O. BOX ~~XIX~~ 2069
ARLINGTON, VIRGINIA 22202

17 October 1975

Lieutenant General Vernon A. Walters
Deputy Director
Central Intelligence Agency
Washington, D.C. 20505

Dear General Walters:

The Washington Chapter of the American Society of Military Comptrollers is looking forward to your appearance at our November 19 meeting. As truly effective financial managers must be much broader individuals than mere bookkeepers, we have been seeking speakers from varied backgrounds who can expand our perspectives; so we are particularly pleased to have you join us. Recent speakers have included Dr. David Potter, Under Secretary of the Navy, and Mr. Joseph Welsch, Deputy Assistant Secretary of Defense (Management Systems).

I have enclosed some background on our chapter, and, of course, I will be happy to send you any additional information you may require. If I can provide you with transportation to the Club or if you have any questions about our organization, please have someone call me at OX7-3355.

Sincerely,

A handwritten signature in dark ink, appearing to read "G. H. Eckert", with a long horizontal flourish extending to the right.

G. H. ECKERT
Captain, SC, USN
Chapter President

Enclosure

BACKGROUND FOR APPEARANCE BY GENERAL WALTERS
AT AMERICAN SOCIETY OF MILITARY COMPTROLLERS

Time: Wednesday, 19 November 1975
Cocktails 11:30 - Lunch 12:00
Speech following Lunch

Place: Fort Myer Officers' Club - Koran Room

Menu: Turkey Divan, Tossed Salad, Rolls,
Beverage, Ice Cream

Organization: Washington Chapter, American Society of
Military Comptrollers. An association
of the professional financial managers
of the Department of Defense and the
Coast Guard, its purpose is to increase
professionalism in the military comp-
troller community.

Audience: Generally, about 200 of the Chapter's
600 members attend. Majority of audience
is O-4 to O-6 and GS-12 to GS-15. How-
ever, many junior and senior individuals
attend, including most of the senior
military financial managers in the
Washington area.

Chapter Officers: See attached list.

National Officers:
President - Joseph P. Welsch, OSD
Vice Presidents - John R. Quetsch, OSD
BG John B. Blount, USA
RADM W. McHenry, Jr., USN
BG Bobby W. Pressley, USAF
Edmond T. Comstock, USMC
RADM Robert A. Duin, USCG
Secretary - LTC R. H. Marshall, USA
Treasurer - LTC Ernest R. Bull, USAF
General Counsel - Calvin M. Vos, OSD

Contact Point: Chapter President CAPT George Eckert, SC,
USN, phone OX7-3355/6

AMERICAN SOCIETY OF MILITARY COMPTROLLERS
Approved For Release 2003/08/08 : CIA-RDP80R01731R002100010005-7
WASHINGTON CHAPTER



P. O. BOX 2069
ARLINGTON, VIRGINIA 22202

1975-76 CHAPTER OFFICERS

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VICE PRES. - ARMY	MR. DOUGLAS J. BLATT CHIEF, OFFICE OF MANAGEMENT PRACTICES, OFFICE OF THE COMPTROLLER OF THE ARMY	OX7-5661
VICE PRES. - NAVY	CAPT. A. A. GIORDANO, SC, USN DEPUTY COMMANDER FOR FINANCIAL MANAGEMENT/ COMPTROLLER, NAVAL SUPPLY SYSTEMS COMMAND	OX5-5545
VICE PRES. - AIR FORCE	COL. W. D. JENKINS, USAF DIRECTOR OF ACCOUNTING AND FINANCE, HEADQUARTERS, AIR FORCE SYSTEMS COMMAND	981-2231
VICE PRES. - MARINE CORPS	MAJ. DONALD B. HIRSCH, USMC BUDGET BRANCH, FISCAL DIVISION, HEADQUARTERS MARINE CORPS	OX4-8244
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VICE PRES. - OSD	MS. JOANNE D. SHUCK PROGRAM ANALYST, OASD COMPTROLLER (MANAGEMENT SYSTEMS) DIRECTORATE FOR PROGRAM AND PERFORMANCE SYSTEMS	OX7-4352
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SECRETARY	MR. ROBERT MADISON FISCAL ACCOUNTING ASSISTANT, NAVY ACCOUNTING AND FINANCE CENTER	OX7-3356
ASST. SECTY - ARMY	MS. CHARLOTTE CAMPBELL BUDGET ANALYST, OFFICE OF THE COMPTROLLER OF THE ARMY	OX5-4525
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ASST. SECTY - MARINE CORPS	MAJ. JOHN A. HADLEY, USMC HEAD, AUDIT BRANCH, INSPECTION DIVISION, HEADQUARTERS MARINE CORPS	OX4-1289
ASST. SECTY - COAST GUARD	MR. WILLIAM LEWIS SYSTEMS ACCOUNTANT, PERSONAL SUPPORT DIVISION, OFFICE OF THE COMPTROLLER OF THE COAST GUARD	755-4993
ASST. SECTY - OSD	MR. GEORGE J. KOBACK PROGRAM ANALYST, OASD COMPTROLLER (MANAGEMENT SYSTEMS), DIRECTORATE OF PROGRAM AND PERFORMANCE SYSTEMS	OX7-4352

AMERICAN SOCIETY OF MILITARY COMPTROLLERS

WASHINGTON



CHAPTER

P. O. BOX ~~2121~~ 2069

ARLINGTON, VIRGINIA 22202

12 September 1975

Lieutenant General Vernon A. Walters
Deputy Director
Central Intelligence Agency
Washington, D.C. 20505

Dear General Walters:

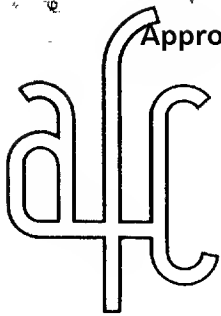
I was extremely pleased to receive your letter of August 27, 1975 in which you agreed to speak at the November 19 luncheon meeting of the Washington Chapter of the American Society of Military Comptrollers.

You may find the enclosed recent copy of our magazine, Armed Forces Comptroller, of interest; it reproduces some of the presentations given at our May National Symposium. As November 19 draws nearer, I will be sending you some background information on our Chapter and your audience.

We are looking forward to meeting with you.

Sincerely,

G. H. ECKERT
Captain, SC, USN
Chapter President



ARMED FORCES COMPTROLLER



Volume 20, No 3

July 1975

National President Joseph P Welsch, OSD

Vice Presidents John R Quetsch, OSD
BG John B Blount, USA
RADM W McHenry, Jr, USN
BG Bobby W Presley, USAF
Edmond T Comstock, USMC
RADM Robert A Duin, USCG

Secretary LTC R H Marshall, USA

Treasurer LTC Ernest R Bull, USAF

General Counsel Calvin M Vos, OSD

Exec Director Irving Z Sigale

THE FIRST WORD

It is with a great deal of humility mixed with pride that I assume the office of President of the American Society of Military Comptrollers. As the first civilian President in our 27 year history, I am particularly pleased that the professional respect our military and civilian comptroller people have for one another has made this possible. I will do my best to fulfill my responsibilities to all members of the Society and, in fact, all personnel in the comptroller field.

As members of ASMC, we have a responsibility, if not a commitment, to foster and assist *all* comptroller personnel to maintain, develop and improve their professional competence. Through these efforts, we can improve individuals' abilities to develop and broaden their career opportunities, as well as their efficiency and effectiveness, which in turn will enhance their organization. We can and will continue to move forward by improving our capabilities, and through these efforts, improve performance in the Defense Department. All of this activity is aimed at maximizing available resources.

Our efforts this year will focus on working with all of the various comptroller career fields. It is essential that we work not only through our Society's organizations and activities, but also with the existing Training, Personnel, Manpower and related functions to provide maximum professional career development opportunities. There is much we can do together to increase productive utilization of available resources. Our Financial Management leadership groups have been and will continue to develop and implement improved military and civilian career opportunity procedures. We should all encourage and foster the use of these procedures, as well as the development of new and improved techniques.

Our basic challenge is to achieve progress in a function characterized by diversity. Common core activities in the comptroller/financial management community continue to be financial management, budgeting, accounting, and auditing. In addition, while practice is not uniform, we must also include such important career fields as automatic data processing, management analysis, program analysis, management information systems, cost analysis, and operations analysis. Obviously, we must go beyond the common core fields to make a significant contribution.

I look forward to talking with as many of you as possible during the coming year, and would be most happy to hear from you. I welcome suggestions for improving our Society and our Defense comptroller activities.



Joseph P Welsch
Deputy Assistant Secretary of Defense
(Management Systems)



ARMED FORCES COMPTROLLER

THE QUARTERLY PROFESSIONAL JOURNAL OF THE
AMERICAN SOCIETY OF MILITARY COMPTROLLERS

Volume 20, Number 3

July 1975

Editor: Laurence E Olewine
Copy Editor: Mary Ann McCrea
Editorial Board: Brig Gen E C Heffelfinger, USA
Brig Gen Bobby W Presley, USAF
Lt Col Joseph A McHugh, USAF

An interdependent world demands that our focus remains global	4	McClary on THE KEYNOTE
We must not only look ahead but also at incentives	6	Jones on CONTROL
We should meet new people and ask meaningful questions	8	Olewine on PARTICIPATION
Eroding purchasing power calls for longer range plans	10	Sullivan on PLANNING
Organizations evolve they don't hatch	16	Cooke on ORGANIZATION
A new organization in a new environment	20	Rivlin on THE CBO
Perhaps we should assume that it's impossible	26	Winslow on COMMUNICATION
The key is people not systems and techniques	28	Kelley on DECISION MAKING
Goals should be based on timeliness and meaningfulness	30	Kennevan on INFORMATION SYSTEMS

Departments

2	Symposium Summary
19	ASMC 1975 Awards
24	CBICA
25	Book Look

Opinions of contributors do not necessarily
represent official positions of DoD or ASMC

Our cover, courtesy of the National Gallery of Art, features *The Quarrel* painted about 1705 by Donato Creti, an artist of the Bolognese School. It is described as a graphic memoir of a turning point in Creti's youth when an angry threat by his father drove him from home. Depicted is an event in the life of Alexander the Great as recorded by Plutarch: The wedding feast of his father, King Philip of Macedon, to his second and much younger wife. In an inspired speech, the bride's uncle proposed an heir to the throne from the union. As lawful heir by Philip's first marriage, Alexander rose to his feet and hurled a goblet of wine at the uncle, whereupon Philip drew his sword, threatening his son with violence. The message is apropos to our gatherings as a reminder to avoid actions generated by anger. Food for thought?



IDENTIFICATION STATEMENT
The ARMED FORCES COMPTROLLER is published quarterly. Subscription price is \$7.00 per year in the US and possessions, \$8.00 elsewhere. Annual membership dues of \$10.00 includes \$5.00 for member's subscriptions. Office of publication is 206 James Thurber Court, Falls Church, Virginia 22046. Second class postage paid at Falls Church, Virginia.



ASMC 1975

Honorable Terence E McClary
Assistant Secretary of Defense
(Comptroller)



General David Jones
Chief of Staff
United States Air Force



Laurence E Olewine
Special Assistant for Education
OASD (Comptroller)



Honorable Leonard Sullivan, Jr
Assistant Secretary of Defense
(Program Analysis & Evaluation)



Professor Walter J Kennevan
Program Director, MIS
The American University



Financial Management was the dominant subject at the Pentagon City Quality Inn on Friday May 23. This was the memorable day of our 1975 ASMC National Symposium. The day was memorable as the Symposium has been hailed as the finest in the memory of those who have attended previous programs. It was also memorable as the day that ASMC members and other professionals in the Defense financial management community almost exceeded physical limitations of the facility selected for the Symposium.

During preliminary planning activity, Tom Constock and his outstanding Symposium Committee hoped for a registration approaching the 200 level. As George Koback initiated contacts with speakers for the program, and the array of talent started being discussed by potential attendees, early indications were that 200 participants seemed to be a sure thing. There was even some thinking that attendance might reach 250. And of course, the eternal optimists felt that contingency planning better be ready for 300, just to be sure of sufficient space and services.

About two weeks prior to the big day, word was received from the North that Charles Brannan would be leading a group of fifty delegates from the Chesapeake Chapter, who would be traveling by government bus to defray travel costs. This message, as would be expected, turned on flashing lights at Symposium Central. They all of a sudden realized a new and unprecedented problem for ASMC symposium planners: More people registering for the symposium than had been planned, and much more serious... perhaps more people showing up than the selected facility could accommodate.

However, while certain adjustments were made in the area of accommodations, timing worked out beautifully. Registration acceleration was at a rate that reached 500 participants on the day of the meeting, which *coincidentally*, just happened to be the upper limit of the Quality Inn. This was the largest attendance in the memory of even the oldest ASMC "old-timer."

The day's activities went smoothly despite the unprecedented large attendance. Many people deserve to be credited for this outstanding performance.



SYMPOSIUM

The entire Symposium Committee did an excellent piece of staff work both in advance planning and adjusting to last minute requirements that always seem to appear. However, smoothness of the program operation, which ran like clockwork, was largely a function of the Symposium Moderator, Colonel Ron Lynch, USMC. AMTRAK could use his skills for keeping everything on schedule. AFC salutes everyone who had a part in planning and making the 1975 Symposium the success that it was.

Of course, the best of plans can go for naught if substantive execution is not carried out in a satisfactory manner. The various resource people on the program more than did their share. The Symposium Faculty, whose pictures are on these two pages, did a truly outstanding job in both presenting their materials and responding to questions. But perhaps even more important, they stimulated conversations among the participants during coffee breaks and lunch. There is no question but that the vicarious learnings would have rated very high on any scale of evaluation that might have been applied.

The individual presentations are summarized on the following pages and everyone present at the Symposium should have gone away with many new ideas and more current information.

The picture at the top of these pages is graphic proof of another first in the area of ASMC Symposia ... a *two-tiered* luncheon table for distinguished participants. If you are not too successful in identifying the various individuals, the "answer sheet" is on the right hand side of page seven.

The day was long, but the entire affair was truly inspirational. The Symposium Committee set a new standard for meetings of this type that we should try to emulate at future symposia.

As a matter of notable interest, the Chesapeake Chapter contingency deserves a special accolade for dedication above and beyond the call of duty. Word finally filtered back from the North that their bus encountered mechanical difficulties, and they did not return home until after midnight. We'll just have to attend the 1976 Symposium to see if they were disheartened to the point of being no-shows. I don't think they'll let us down.



Mr. David O. Cooke
Deputy Assistant Secretary
of Defense (Administration)



Dr. Alice Rivlin
Director
Congressional Budget Office



Dr. Erik Winslow
Chairman, Dept. of Mgmt. Science
The George Washington University



Dr. Albert J. Kelley
Dean, School of Management
Boston College



Colonel Ronald J. Lynch, USMC
President Washington Chapter
Symposium Moderator

1975 SYMPOSIUM KEYNOTE ADDRESS



Terence E. McClary
Assistant Secretary of Defense
(Comptroller)

It's a pleasure and an honor to keynote your symposium this morning. The theme—Austerity and National Defense—is an excellent topic and a very timely one. To those of us who have the responsibility for national defense, the resources that are available to do the job are indeed austere. Your choice is timely, for we are about to learn from Congress in the next few months whether the declining trend in the availability of resources is to continue. I think the key word in these considerations is responsibility—for it shapes our perception of what is austere.

Because of the national disaffection with our involvement in Southeast Asia, and especially since the unexpected and tragic end of that relationship, there has been much media discussion of our proper role in world affairs. Regardless of the outcome of this discussion, whatever national consensus becomes evident—the increasingly interdependent world in which we live will insist that our focus remains global. The communications, transportation, industrial and agricultural technology, as well as the social and political forces of our times, make this fact inescapable. Even if we are to, we cannot avoid contact with others—the world over, much of this contact will be with forces basically hostile to our concepts and interests and no matter with what good will this

contact is approached, there will be the spectre of potential conflict.

In this situation it would seem that any possible foreign policy we would be required to support must consider this inevitable global contact and its historic potential conflict. It would seem to follow that we must therefore be able to project whatever power we possess to protect our interests in this

WE CANNOT HELP BUT PERCEIVE A CONDITION OF AUSTERITY WHEN LOOKING AT OUR DECLINING RESOURCES.

contact. In our responsibility as providers of this protection, we cannot help but look at our declining resources and perceive a condition of austerity. It seems equally clear that many of our countrymen do not share this view—for they do not share our direct responsibility. For them, considerations of internal social progress and economic improvement are of such overwhelming importance, that funds provided for military purposes are given most grudgingly.

On the face of it, it is difficult to couple our fiscal year 1976 budget request of almost 105 billion dollars with the word

“austerity.” You must first admit that today's defense dollar purchases less than two-thirds of what it did in 1968 and less than half of what it did twenty years ago—just as its value has declined at the grocery store. You would have to recognize that the cost of defense electricity has increased about 45 percent in just one year, that in some cases the cost of coal has increased as much as 350 percent in one year, that the cost of an M-60 tank was under 400,000 dollars in fiscal 1975, but has risen to almost 600,000 dollars in fiscal 1976. You would have to realize that in the past couple of years congressionally mandated reductions in defense spending have been effectively doubled by the erosion of inflation. You would have to perceive that in actual purchasing value—constant dollars—funds granted to our baseline forces for national defense have been on a long slide for over two decades. Despite constant repetition of these facts, the erosion of resources has continued. Despite the fact that the Soviet Union has been outspending us on military forces and hardware since 1967 and now exceeds our efforts by some 30 percent annually, we seem to have gained few new listeners thus far. It would seem obvious that if this trend continues—from whatever base the Russians started—at some point they will exceed our capability and may then be tempted to upset the

balance which we—and the rest of the world—have come to depend upon.

For fiscal 1976, we have requested nearly 105 billion dollars of the Congress in total obligational authority. This is an increase of almost sixteen billion over the current year. However, if we strip from this figure the cost of inflation and military assistance to allies, the actual increase we seek in our basic force structure is less than five billion dollars. This is the true value of what we ask to halt the trend of erosion—to slow—not stop the relative advance of the Soviet Union's capability.

Immediately following our loss in Southeast Asia, and perhaps more recently from exhilaration over the Mayaguez incident, some newspapers are noting a definite "softening" of anti-defense opinion in Congress. It has been reported that there is some new feeling in the Congress that now is not the time for any further diminishment of our soldierly posture, lest anyone think that somehow we have become weak in spirit or in muscle. Perhaps our perception of responsibility is now shared—this year's appropriation may reverse the trend in shrinking resources and we can begin countering Soviet military growth. These are comforting thoughts - but are they factual?

Recently the Budget Committee Conference reported its proposed concurrent resolution to the Congress. In recommending a 69 billion dollar deficit, the resolution calls for a reduction in requested budget authority for national defense of 7.9 billion. After recognizing that Congress may deny the pay cap and anticipated proceeds from petroleum reserves and stockpile sales, the proposed reduction is actually 9.2 billion. Although these figures are in no way binding this year, they do represent the sense of these two potentially important bodies on the general levels of spending what should be allocated to defense. We shall follow closely the actions of the Armed Services and Appropriations Committees.

In this connection, it is useful to note that in fiscal 1976, the total congressional reduction in our request was about 5 billion—in 1975 it was 3.5 billion. Based on these trends and actions, I think we have grounds for serious concern over our 4.5 billion

real increase in baseline forces. Regardless of the many billions that are finally appropriated, we may well remain in a period of austerity.

By the very nature of our business, we comptrollers are the communicators and implementors of this austerity. Our job is not only to analyze and formulate the budgets that are eventually provided to Congress, but we must also ensure the proper execution of the results of this process. Fiscal 1975 has been a difficult year in many respects. Because of inflation, operating accounts have not been sufficiently funded, creating an investment drain through necessary reprogramming. If the early storm signals that I spoke of prove true, we may well become acquainted with these problems again in 1976. Defense critics often speak of the "fat" in the DoD budget as though we were constantly guilty of gross mismanagement. That just isn't true—however, there is waste and inefficiency in all human enterprise. You people sitting here must continue to minimize it—it's your job as comptrollers. In a nation that maintains a healthy aversion to things military in times called "pleace," I'm afraid that austerity is our way of life.

Webster's most applicable definition of "austere" is "very simple—lacking in ornament." If we are to accommodate the austerity imposed upon defense, we must ensure that our organizations and our efforts are indeed very simple and lacking in ornament—given the complexities with which we deal. There is a myriad of problems that comptrollers and other financial people must cope with if we are to approach this objective. Better cost

estimating, not just in budgets, but in the acquisition process—I can think of no area where conscientious professional, innovative effort can contribute more in the field of financial management. Understated or simply incorrect program estimates distort our decision process internally and destroy our credibility in an external sense. Because of the high cost of modern weaponry, we are under such scrutiny in this area that we simply must surpass any currently accepted standards of success. "Cost overruns"—whatever their explanation—provide such fuel for anti-defense criticism that our judgment is called into question across the board. The collective experience and brain power represented by the people in this room can resolve the problem. It must be done.

In addition to improving cost estimates, the challenges that the financial community must surmount are many—and you know as well as I what they are: Improved accounting and reporting systems, more efficient use of data processing capacity, coordination and consolidation of effort among our services and agencies, increased productivity of our human resources. We must best these challenges if we are to reduce the tail and burnish the teeth of our national defense capability—and accommodate the requirement for austerity.

The schedule for your symposium contains the conceptual ingredients for coping with "austerity and national defense." From close association with most of the speakers I can assure you that your organizing committee could not have chosen a more brilliant or qualified group. I hope that it is a profitable personal experience.

The Editor Comments: Mr McClary has been Assistant Secretary of Defense (Comptroller) since June 1973. During that time, he has been a strong supporter of ASMC activities on many fronts. He came to Defense from a varied career of executive level financial management in private industry. From 1969 until his arrival at the Pentagon, he was with Sanders Associates, where he served as Vice President-Comptroller and as a member of the Board of Directors. Prior to joining Sanders, Mr McClary spent twenty years with General Electric in a variety of executive positions. He served his last five years with GE's Aircraft Engine Group as Manager - Finance. Mr McClary served in the Army during WWII and received the degree of Bachelor of Science, Business Administration, with honors from the University of Nebraska.

GENERAL DAVID JONES

USAF Chief of Staff discusses

CONTROL



General David Jones
Chief of Staff
United States Air Force

It is particularly pleasing to me to note the multi-Service nature, including participation of the Office of the Secretary of Defense, in your ASMC Symposium here today. I find this a healthy environment because I am convinced there is a lot we have to do within the Department of Defense to work more closely with each other. I am not speaking of a single Service, nor a totally integrated effort, but we all need to rely on each other more than we have in the past. We need to bring our systems together, our accounting procedures, our management, and our budget, so that we rely on each other. A conference such as this can go a long way toward that effort.

We have a problem of perception among the American people. With our increasing dollar appropriations, it is often believed that we have maintained about the same level of capability and force size that we had during the peak of Vietnam. There is little recognition of the great erosion of purchasing power, both in goods and services, and in the great increase in cost for manpower. This in turn generates a problem of credibility with the American public. A recent poll indicated that two-thirds of the people of our country wanted to have a military capability superior to the Soviet Union. Yet almost the same number of people said in another poll that they thought we are spending too much money on defense. We have a problem of credibility and, therefore, must manage even better and see that we don't buy anything we don't need. I think we do quite well, relatively speaking. Senator Proxmire, if you recall, said on the floor of the Senate last year that the Department of Defense was the best managed Department in the Government. But we still have a

lot of room for improvement.

Dr George S Odiorne, Dean of the School of Business Administration at the University of Massachusetts, is the author of two excellent books I would like to call to your attention: *Management by Objectives* and *Management and the Activity Trap*. I am particularly pleased that ASMC is extending special recognition to Dr Odiorne for *Management and the Activity Trap*. I encourage you to read this book because I think we all get wrapped up in the activity trap from time to time. Odiorne also talks at considerable length about the "Three Tier System" of Management. I'd like to take a few moments to elaborate on this.

To see what I mean, let's look at an example—let's say we are a buggy whip manufacturer. If we are operating at Tier One of efficiency, we are turning out buggy whips at about the same effectiveness and cost as somebody else. We get some bad buggy whips and some good ones, but we are doing generally what everybody else in the business is doing. That's Tier One.

At Tier Two—we are turning out the best buggy whip in the world at the lowest price. We are really doing a great job of management.

On Tier Three, we look ahead and see that there's going to be no need for buggy whips and decide to switch into automotive products. The problem is that too often we get caught in the activity trap of working Tier One, striving for Tier Two and not taking sight on Tier Three.

There's another trap that I advise you not fall into and that is in rationalizing our failure. For example, take a commission salesman who works all week and

doesn't sell a thing. He comes home and doesn't have any money to feed his family or pay his rent. So he says to his wife, "you know, I have the dumbest customers in the world—they won't buy my product."

That salesman has only a couple of choices! He can either continue doing the same thing and complaining about those dumb customers, or he can change his product or the way he approaches the selling job—or maybe both. If we will take the same approach—accept the responsibility ourselves, then we'll be a lot more successful. If we try to sell something to our boss—or try to change something and are unsuccessful, we should not automatically put the blame on the other side, but say to ourselves: "Either my product is wrong, or my approach is wrong or maybe both."

Comptrollers, I believe, are in a particularly important position, and your role will increase in the days ahead. The need is great—not only for proper accounting and budgeting, but more particularly in the analysis business. I would encourage considerable study in management—not only the financial aspects but the people area as well. People are now one of our most expensive resources—we spend well over half of our budget on people, and these people spend whatever is left. There are great losses in our system through a lack of ability to work together. We need to communicate better and people need to understand what we are trying to say. We need to do a lot more in the area of interpersonal relations—how to deal with each other and to eliminate problems of discrimination. We can do a great deal better in this regard.

We need to come up with greater incentives—one

of the most productive ways to motivate people. There are too many *negative* incentives. The Secretary of Defense has given the Services good incentives. He said that if we find some savings in our services we could convert them into mission capability. All the Services are working on this. The Army is going from 13 to 16 divisions; we in the Air Force are going from 22 up to 26 Tactical Fighter Wings. We are doing it out of our own hide—that's the result of a good incentive. We, in turn, have to provide incentives to the people and units we manage. I've seen far too many negative incentives. The man that manages well this year too often gets less money next year. In such a case, there is no reward for good management. So we need to look at basic procedures down at the local level to find ways to provide better incentives.

If we are going to operate on the "third tier," we have to find some way to provide the incentives to do the job in the most efficient manner. And if somebody does well, and doesn't spend all his resources we should be able to say, "all right, you managed well and therefore you can take that money and use it to do other things." I think the opportunities to operate within our budgets more efficiently and to get a lot more out of our allocations are almost unlimited.

In closing, I just want to wish you the best, you are our lifeblood. You not only help us manage our resources—you keep things going and we couldn't do without you. You are doing a great job. When you think of a budget close to \$100 billion in the Department of Defense, it is amazing that we make a few mistakes as we do and I'm proud to be a part of that great effort. I wish you well in your Conference.

The Editor Comments: General Jones brings a wealth of management experience to any presentation he may be making. As USAF Chief of Staff since July 1974, he manages a worldwide organization employing highly sophisticated systems involving considerable advanced technology. Prior to his present assignment, the General's career has been characterized by diversification in a wide variety of operational, staff and command responsibilities. As Commander in Chief of US Air Forces in Europe, he has also had personal experience at the international level. ASMC is fortunate that men of General Jones' calibre see fit to share ideas at our symposia.

DISTINGUISHED PARTICIPANTS at the SYMPOSIUM LUNCHEON

[See picture on pages 2-3.]

Back Row (left to right)

Li Colonel Joseph A McHugh, USAF
ASMC 1975 Awards Chairman
Joseph P Welsch, OSD
ASMC 1975-1976 National President
General Leslie R Sears, Jr, USA
ASMC 1974-1975 National President
Hon Terence E McClary
Assistant SecDef (Comptroller)
Dr Alice M Rivlin
Director, Cong Budget Office
Hon Leonard Sullivan, Jr
Assistant SecDef (Prog Anal & Eval)
Fred P Wacker
Deputy Asst SecDef (Prog/Budget)
Edmond T Comstock
ASMC 1975 Symposium Chairman

Front Row (left to right)

Arnold G Bueter
Prin Dep Asst Sec of the AF (FM)
Admiral E D Scheiderer
Chief of Staff, US Coast Guard
General Joseph R DeLuca (standing)
Comptroller of the Air Force
Admiral W McHenry, Jr
ASMC VP, Navy
General John A Kjellstrom
Comptroller of the Army
General W F Simlik
Fiscal Director of the Marine Corps
Admiral J B Hayes
Comptroller of the US Coast Guard
General Bobby W Presley
ASMC VP, Air Force
General Lucius Theus
President Elect, Denver Chapter
General E C Heffelfinger
ASMC VP, Army
Janet E Hennen
ASMC Treasurer
Laurence E Olewine
Editor, Armed Forces Comptroller
Major Robert C Goetz
ASMC Secretary
Irving Sigle
ASMC Executive Director

HOW TO GET MORE OUT OF YOUR SYMPOSIA or, don't just sit there . . . PARTICIPATE

Laurence E Olewine, Editor

One of the main reasons for a meeting such as this Symposium is an exchange of ideas for enrichment of individual views. Perhaps a logical question would be "...how do we go about this exchange or enrichment?" One rather simple answer surfaces almost immediately: Through the challenge provided by understanding the views of others. But understanding the views of others involves *communication*...and this is where our problems begin.

By definition, a symposium provides an excellent opportunity for exposure to views of others. And by glancing at our printed program, there is no question that we are attending a symposium. However, unfortunate as it may be, most of us bring but one tool to a meeting such as this, and we complain about its numbness after sitting on it for about half an hour. Yes, we become relatively passive quite quickly. And from this state of affairs, the title for this particular session: "Don't Just Sit There... **PARTICIPATE!**"

In the short time we have together, I hope to share a few thoughts on how you can get more out of meetings such as these by means of increasing your participation. My task should be relatively simple, but I have serious reservations on predicting success. It should be simple because most of us have much to learn in this business of maximizing our participation. Let me qualify that statement. To start, I would like to check the location of the specific tool I mentioned just a moment ago. Since all of our 500 participants are seated in close proximity to two other people, my mathematician friends tell me that each of you had 125,000 alternatives in selecting your location on arriving in the meeting room this morning.

If I were to ask for a show of hands

indicating those who are sitting next to people they did *not* know prior to arriving here, the response would be minimal. This in itself demonstrates that most of you have much to learn about this business of exchanging ideas. If one of our purposes is to seek "...an exchange of ideas," why not actively search for different viewpoints by meeting new people? This is one of the reasons we brought 500 of you together for this meeting. We wanted to provide an environment for the exchange of ideas. The environment is here, but with well over 100,000 choices, most of you opted to sit close by your five-days-a-week cronies and associates. This is not to say your friends are void of ideas, but you have lots of other time to talk to *them*. Why not use the time we will be together to meet *new* people? You just might profit considerably from such an arrangement. And if you really endorse the exchanging of ideas, a group as diversified as this can be the best of all worlds. However, you must take the initiative.

Earlier, I mentioned that communication involves problems. You may well be wondering why communication has to be difficult, since we all do so much of it. There is no question that we do a lot of it, but there is also no question that in all too many instances, we do it poorly.

Basically, there are two aspects to communication: *output* and *intake*. Right now, output is my responsibility; intake is yours. While we are in session today, the task of the person here at the podium is to *talk*, and your task is to *listen*. And considerable success can be achieved when both sides finish their tasks at the same time. But experience seems to almost guarantee that many of you will finish listening long before some of our speakers finish their remarks. Of course, in all

fairness, some speakers do seem to encourage their listeners to win the race.

However, in the short time we have been conversing, your nonverbal response indicates that you do in fact know how to listen, at least to some things. And since our conversation will not be lasting too long, perhaps we can stage a photo-finish for our communication excursion. To be totally honest, I would really much prefer were I to finish *first*, with you spending *much more time* pondering what hopefully might be a few new ideas.

Research has uncovered some interesting statistics on our lack of listening skill. Many studies have proven that without excessive motivation, man is highly inefficient in this business of listening. There is considerable agreement among researchers that we lose half of what we hear within 48 hours of hearing it, and half of what's left in the next two weeks. Result? Twenty-five percent efficiency. Would you want to tell your boss that your listening ability is only 25 percent efficient? Probably not.

By now you might be saying, "Yes, but is all this attention to listening really necessary?" After extensive research at Ohio State, Paul Rankin ascertained that 70 percent of our conscious day is spent in some form of communication. This means that seven out of every ten minutes that we are alive and awake, we're communicating. Rankin then breaks the seventy percent into four categories: 10 percent of our communication time is devoted to writing, 15 percent to reading, 30 percent to speaking and 45 percent of our communication day centers on listening.

What do these figures mean? It means that most of us spend as much as seven

hours every day just *listening*. We listen to our bosses, our associates, our clients. We listen to husbands, wives, children and friends...and all the other people making up our individual daily milieu. And with the 25 percent efficiency factor mentioned a few moments ago, it could be projected that many of us are operating in a vacuum for a goodly number of hours every single day. We certainly are prone to miss a number of opportunities with such a *modus operandi*.

Were we to look for a scapegoat at which to point a finger for this deplorable situation, it could be our school systems. They not only do little to teach listening skills, but have allowed us to develop a number of horrible habits along the way. And I am talking about colleges and universities as well as the public schools.

The most horrible of these habits might be described as wasting the differential between speech speed and listening speed. Perhaps this needs a little explanation. Most of us speak at the rate of 100 to 125 words per minute, but the human brain can absorb ideas at a much more rapid rate. In fact, the differential is at least four to one. In effect, we often listen at quarter throttle as far as our brain is concerned. And when the brain is forced to slow down to a snail's pace when tuned in to speech, it rebels. This state of affairs frequently generates a pattern of listening for eight to ten seconds to find out what is going on, and then taking off for a thirty second holiday. Out for thirty, in for ten, out for thirty and back for ten seems to be a fairly common procedure. This in itself isn't too bad, but so often we are prone to find the interest of the "thirty" such that returning can be difficult.

Since time constraints will not allow presentation of a three credit course in listening, I will ask you to come with me on a sixty second learning experience to improve your listening skill.

STEP ONE. Run ahead and try to guess my next point. If you guess correctly, you'll get it twice, and reinforcement is a wonderful learning tool. If you guess wrong, better yet, for them you'll have two points, yours and mine.

STEP TWO. Identify my evidence.

or the building materials of my talk. This will eat up some of the differential, but will be a good investment. Why? You'll have a much better basis on which to accept or reject ideas that I may be discussing.

STEP THREE. As you listen, take five or six second *planned* side trips to mentally recapitulate every once in a while. And with your tremendous thought speed, you can easily summarize and evaluate everything a speaker is able to present. This step is perhaps most important of the three.

To review: Step One, *run ahead*; Step Two, *identify evidence*; and Step Three, *recapitulate*. The system does work...all you have to do is try it. And today would be a good time. If you find that it works here, you can take it with you anywhere. Space precludes discussion of the other horrible habits we have formed.

There is one other idea I would like to suggest that you can practice during the balance of our Symposium. While the idea is relatively easy to understand, you should be advised that putting it into practice can be difficult. What I would like to suggest is the practice of *accepting controversy*.

If you think about accepting controversy for just a moment, you can probably appreciate why it's practice is not as simple as its understanding. Think in terms of your own recent listening experience. When the message did not quite come out the way you wanted to hear it, did you stop listening? Or did you start to concentrate on devising a nasty question to put the speaker down when it was your turn to talk?

Listening is not maintaining a polite silence while mentally rehearsing the "speech" you will make as soon as you get the floor. How much better to plan a beneficial question based on the speaker's remarks, a question aimed at further *elaboration* of the point on which you happen to take issue. The speaker just might have some additional information to *prove* that your point of view was perhaps not quite in order. Along the same general line, listening is not an intense search for flaws in the speaker's message. After all, most speakers are also moderately human.

Good listening should focus on seeing the

other person's position as he or she sees it. The feeling is one of empathy...experiencing *with* the speaker. It might even require active entry into the speaker's "mental environment" in an attempt to understand a frame of reference different from your own. And with our speaking-listening-thinking differential, if I might add an extra dimension, we all have considerably untapped potential to experience empathy. You should try it, as you just might find a very valuable tool for better listening.

The records should also reflect that the good listener does not remain silent. He asks questions as appropriate both during and after a presentation. Perhaps you are raising an eyebrow on "during...a presentation." A good speaker senses questions from his audience by their nonverbal signals, or body language, while he is talking...a reaffirming nod of agreement, a frown of disagreement, a quizzical look or an expression of doubt. Better speakers like to "read" their audience while talking...and if you're not listening, the better speaker reads this as well. In the best of all communication environments, speakers and listeners *both* make major contributions.

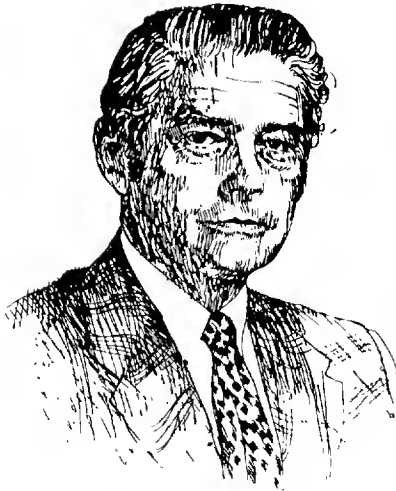
Coming back to *verbal* questions, the best are motivated by curiosity about the speaker's views. In case you have trouble formatting questions, you might consider the following patterns:

Would you mind summarizing your second point?

Would you be willing to expand your position on...?

Regardless of the format of your verbal questions, you should avoid hostility. This is not to suggest that we should avoid confrontation. But when we do resort to argumentation, it should be in a positive sense. We should argue about what *has* been said as opposed to what *has not* been said. Also, our discussions should be aimed at clarification, not victory. If we can do this, ultimate agreement or disagreement frequently becomes unimportant. *Understanding* is the key word.

To tie all of this together, I would like to use the thoughts of the greatest teacher of all: If any man has ears to hear, let them hear, and unto you that hear, more shall be given.



Honorable Leonard Sullivan, Jr.
Assistant Secretary of Defense
(Program Analysis & Evaluation)

... THE NEED FOR

It is a pleasure to come and talk to you today about the various problems I see ahead for your Defense Department. My office has several functions; all of them involve the same general problem — establishing the tightest, leanest, fully balanced five-year defense program consistent with national policy. It now appears that we will be sharing that five-year plan with the Congress and the outside world. This is a very significant change.

For years the country has talked about "changing its priorities" without always looking to see whether those changes *are* being implemented — and unfortunately, without always looking to see whether we can continue to afford the changes that *have* been implemented. We have also begun to talk more about the necessity to remain Number One in Defense posture, but we never look to see the cost of staying Number One. A primary fiscal debate of the next decade must involve the conflict between maintaining an adequate defense posture and continuing to change our priorities in the direction of social and economic stimulus.

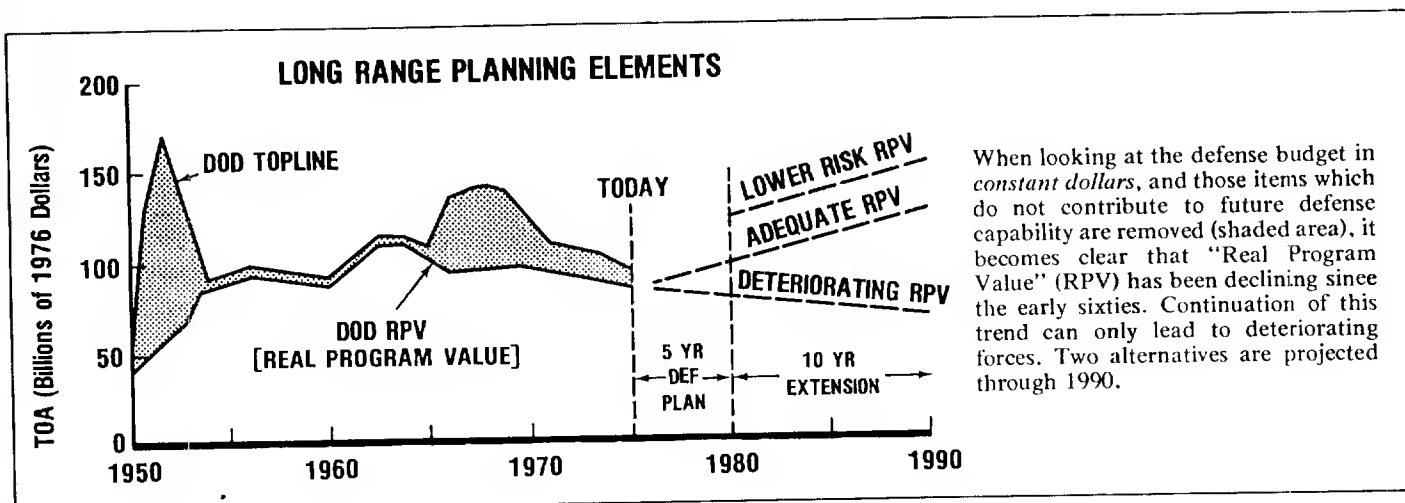
It is my belief that we really have less than a decade left to come to grips with federal fiscal policy, and less than a decade left to come to grips with the requirements of a strong and stable defense posture. Less than a decade to

stay Number One in the face of continuously diminishing defense real resources — if the Soviets stay on their present course.

Let me cite two dramatic examples of the need to plan ahead. The federal deficit this year, in all likelihood, will be larger than the outlays recoverable from the Defense Department if we were authorized NO FUNDS AT ALL in FY 76. Moreover, by the early 80s, total national spending for social and economic programs will *grow* annually by more than the total size of the defense budget — it will grow by over \$75 billion just this year. We are reaching the point where you could totally cancel the Defense Department, and stave off the problems of national spending on social/economic problems by less than a year.

Today I would like to discuss with you the six basic messages that I would like to deliver to the new Congressional Budget Committees and Budget Office. These messages should be understood by all conscientious Americans.

1. THERE IS NOTHING MORE FUNDAMENTAL TO THE AMERICAN WAY OF LIFE AND THE AMERICAN FUTURE THAN A STRONG, SOUND, AND EVIDENTLY CAPABLE DEFENSE



LONGER RANGE PLANNING

POSTURE. We see no reason, based on recent world trends, to lower our military guard in the defense of our freedom.

Our primary objective in the strategic area is to maintain an evident balance in modern strategic forces and to encourage force reductions through further negotiation. Until we get such further agreements, we intend to maintain roughly constant strategic offensive force levels and manpower over the next five years, with RDT&E and modernization programs lively enough to maintain some technological lead, avoid technological surprise, and encourage further negotiated reductions.

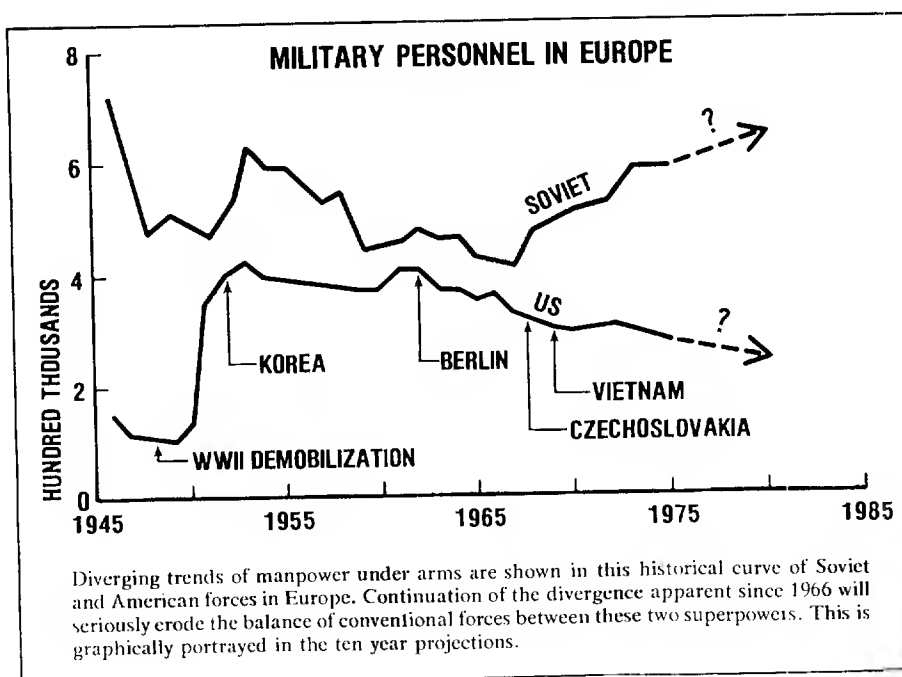
The momentum of the Soviet buildup in conventional military forces continues. Continued US force shrinkage cannot be justified by our force balance analyses. In fact, we believe we should increase our Army divisions within manpower ceilings, flesh out the airplanes in our current existing 26 tactical fighter wings, add to the size of our Navy, and increase the capability of our airlift/sealift forces. We intend to do these things within our proposed five-year topline projections.

May I remind you, just ten years ago, our forces possessed a substantial strategic superiority in nuclear weapons, and we maintained conventional forces supposedly capable of fighting "two and a half wars" simul-

taneously. Today, we have acknowledged approximate strategic parity with the Soviets, and we maintain conventional forces which may be able to fight one-and-a-half wars near simultaneously — with extensive help from our allies.

2. OUR NATION'S DEFENSES INVOLVE THE BIGGEST SINGLE-MANAGER OPERATION IN THE FREE WORLD. It is time to

recognize that the maintenance and operation of our nation's defenses cannot be subjected to large and unplanned annual fluctuations. With five million employees, and 250 billion dollars of fixed assets and fighting equipment, our Defense Department is the largest single operation in the United States—and the free world. It takes six to ten years to introduce a new weapon into our military inventories. It takes three to four years to stabilize personnel tur-

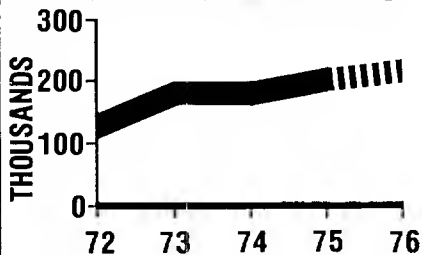


CONDITION INDICATORS

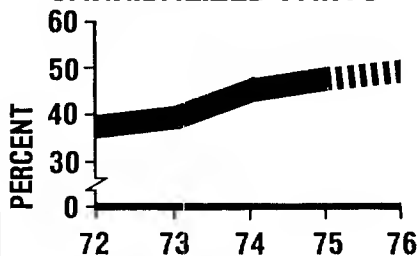
The gradual decline in the state of the "roadbed" (US force readiness) is shown by a number of indicators as depicted below. Unfortunately, trends do not become visible when viewing programs on a one-year basis.

Mr Sullivan pleads for consideration of Defense as a multi year operation, whose trends only become clear when "...looking back a few years, as well as ahead."

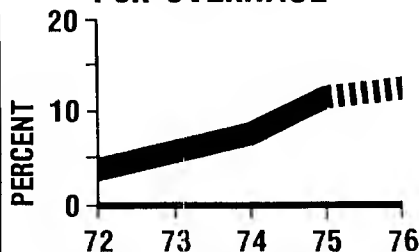
UNFILLED ORDERS FOR REPARABLE NAVY AIRCRAFT COMPONENTS



USAF GROUNDED ACFT REPAIRED USING CANNIBALIZED PARTS



NAVAL SHIPS OVERDUE FOR OVERHAUL



bulence created by large manpower cuts.

We are a dynamic operational entity, not simply a disburser of funds. Hence we also use up and wear out our equipment, and continuous modernization is essential. We are not talking about replacing *any* item of equipment in our inventory until its useful life has been exhausted; from 20 years for helicopters to 40 years for many of our support ships. Nothing is planned to be replaced solely because of the increased threat from Soviet weaponry. When we do start a new development, we assume the new equipment must still be good enough to offset the threat out into the 1900s.

One of the most interesting bureaucratic issues immediately ahead of us involves the *definition* of what to include in future budget projections. Those who wish to make the future defense effort appear artificially small consider every modernization program to be a "new initiative" rather than a prerequisite to maintaining "current services" with a stable up-to-date force. If the defense minimizers win this argument, then *replacing* a worn out truck or helicopter or bomber will have to compete directly with, say, *expanding* social security coverage to new segments of our citizenry. This illustrates the depth of disagreement now prevalent in areas of realistic long range planning.

3. THE SOUNDNESS OF OUR DEFENSE POSTURE CANNOT BE ACCURATELY MEASURED ON A SINGLE-FISCAL-YEAR-AT-A-TIME BASIS. There is a very popular belief that the Defense Department approaches Congress in a deceitful manner — showing only the "camel's nose" under the tent, and somehow committing the Congress to giant programs without prior explanation of the full size and configuration of the camel. Such is clearly not the case. The Congress provides its own tent. Five-year data on all major program projections are provided to the Congress in two separate forms. The real problem is that by reviewing our programs annually, but on a one year basis, the Congress is standing so close to every camel that they cannot see its size, shape, its direction of move-

ment — or even its health.

I see a discouraging parallel between the American Defense Department and the American passenger railroad system. When we receive inadequate funds, we too let the "roadbed" go—our readiness declines—and we too put off buying our new "rolling stock"—and the weapons and equipment that would keep our forces modernized. It is no accident that the railroads are no longer number one. It was preordained by years of minor neglect. Any long range planner for the railroads could see it coming. I think I can see it coming for our Defense Department too.

I am not questioning Congressional prerogatives, Congress raises our Armies—or lowers them—and also raises—or lowers—our taxes. I am not claiming that our budget submittals are perfect either. But those budgets *are* scrubbed for six months before submittal. There is no fat left at the end of that process. In fact, that may be the problem!

When Congress cuts, it is frequently cutting muscle in either force levels, modernization, or readiness. The gradual downward slide continues — not necessarily as a result of conscious Congressional intent. In the year the cuts are made, the difference may not be noticeable — but if you look back several years and then look ahead several years, the impact is much clearer. It's not a very encouraging view. The one-year snapshot does not tell the story.

4. OUR MINIMUM ESSENTIAL DEFENSE POSTURE CANNOT BE MAINTAINED ON A CONTINUOUSLY DECLINING "REAL PROGRAM" BUDGET. Allied and US active and reserve force levels and deployments are dictated primarily by the Soviet threat. The Soviets embarked on a long-range plan for the *expansion* of their military capabilities over twenty years ago. They have *probably* been outspending us now for several years. We *know* their armed forces are almost twice as large as ours — and we *know* they are out-producing both us and the free world put together in most military equipment. The momentum of their

military growth has proceeded unabated, with an estimated funding increase of about 3% a year.

For the past several years, we have submitted to the Congress budgets which were *intended* to provide positive real program growth of between one and two percent per year. However, as a result of

THE SOVIETS EMBARKED ON A LONG-RANGE PLAN FOR EXPANSION OF THEIR CAPABILITIES OVER TWENTY YEARS AGO.

inflation and congressional cuts, our real program growth has been *declining* at more than 1% per year. In fact, we are the *only* NATO nation with several straight years of declining real program value for defense.

Each recent President has submitted to the Congress the minimum essential defense budgets to keep America strong. But what we have gotten back is not enough to insure that strength over the long haul.

Over the past five years our defense needs have been unintentionally understated by more than \$19 billion. Congress has yet to reinstate any significant amount of that shortfall.

Additionally, Congressional cuts have deleted another \$24 billion from the President's defense budget requests — mostly from the modernization accounts. During the same five years, incidentally, \$34 billion has been added to other segments of federal spending *above* the President's budgets.

But these defense cuts, when added to inflation shortfalls, total \$43 billion. If we had chosen to keep pace with the Soviets five years ago, we would have *increased* our real defense spending over the same five year time period by \$45 billion instead. No skeptic could reasonably assert that there has been \$43 billion in "fat" in the last five defense budget requests.

At any rate, it is clear that the spending trend to keep America strong, and the spending to keep the Soviet Union strong have probably *diverged* by

almost \$90 billion over the past five years. The time has come to arrest that widening divergence. We cannot keep America strong enough in the face of continuously declining defense budgets.

If Congress wishes us to *defer* some expenditures for a single year they must tell us so, and let us *restore* those funds in the following years. If they do not intend to provide some positive real growth in the Defense Department's topline over the long run, then we must change our own internal planning considerably. We must begin to plan for deliberate weakness.

However, if we receive no substantive guidance from the Congress, then we will be forced to make minor and less visible compromises in each area each year. A few less forces, a little less readiness, a little less capability to take on the enemy. The cumulative effects over several years will be to slowly slip into a position of unintentional weakness. We will not maintain a balance of force with the Soviets. There will be less and less basis for negotiation, and eventually by default, Number Two will become Number One — and Number Two is not on our side.

In short, we now believe that to keep our defense strength adequate, we will need a positive growth in real program value of a modest 2% annually. This would still be less than the growth we see on the Soviet side. It would still assure that we would consume a smaller and smaller fraction of the Gross National Product, and of federal revenues. Surely, that should be considered a bargain — and a tough one for us to live within. But I believe we can do it, and that the nation can afford it.

5. OUR DEFENSE EXPENDITURES ARE NOT READILY CONTROLLABLE ON A SINGLE-FISCAL-YEAR BASIS. It is particularly difficult to achieve large outlay reductions within a given fiscal year — to offset inflation or a large budget deficit, for instance. As a matter of realistic fact, less than \$60 billion of our outlays in FY 76 will stem from FY 76 appropriations, and less than \$20 billion of those FY 76 outlays are "controllable" at all. A \$5 billion outlay reduction would be very serious










indeed. I would like to give you two examples of this.

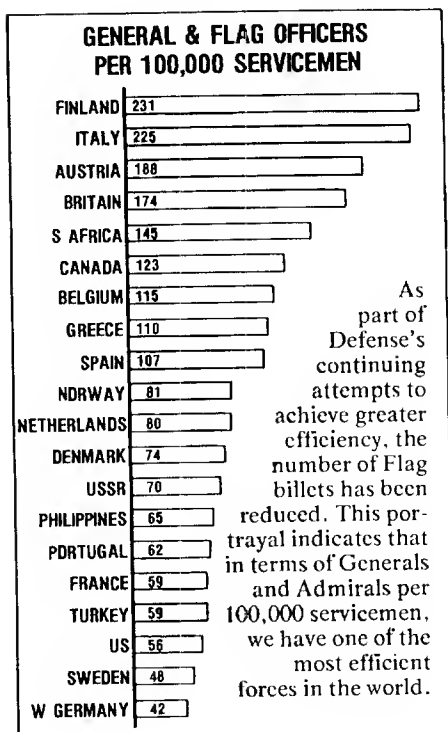
If the Congress stopped all research and development on the MX and D5 missiles or on our cruise missile programs, if they eliminated our antiballistic missile research programs and stretched out our Trident buy, if they cancelled the B-1, the AWACS, the SAM-D, the XM-1 tank development — altogether they could not save \$1 billion in FY 76 outlays in that year. The money spends too slowly.

At the other end of the spectrum, if they were to try to save \$1 billion in FY 76 outlays this year through reductions in Defense personnel, we would have to lay off well over

PRODUCTION RATE ESTIMATES (1972-74 AVERAGES)

Although it cannot be proven, we are convinced the Soviets have been outspending us for some years. As shown by the statistics below, there is no question but they have been outproducing us in the standard weapons of war.

	US	USSR
	462	3,000
	860	4,400
	170	1,200
	920	710
	540	930
	0	10
	3	5
	11	39
	0	6



300,000 people. That \$1 billion would provide employment for only 125,000 people in the civil sector and that would not make much sense to me.

Moreover, an unpremeditated reduction of even 150,000 military and civilian personnel from the Defense Department over a period of six months would have a truly traumatic impact on the entire defense structure. Such a cut would come close to bringing the entire organization to a halt — and its military readiness would collapse. And the maximum outlay savings in FY 76 would amount to half a billion or less.

Thus virtually all of the "fast-spending" \$37 billion in the personnel outlays account is "uncontrollable" within the fiscal year in which unprogrammed reductions are made. The "fast-spending" FY 76 outlays for purchases are related to the maintenance and operation of our forces in being; these cannot be "controlled" without seriously interfering with readiness and operations. Finally, the "slow-spending" FY 76 investment funds really don't produce outlays in FY 76 at all.

6. WE UNQUESTIONABLY HAVE THE BEST AND TIGHTEST FIVE-

YEAR PLAN IN THE TOWN OF WASHINGTON, D.C. Surely we can offset some funding deficiencies and costs through improvements in our own efficiency. Of course we can — and we do every year. We have cut our personnel by 173,000 in three years by proper preplanning. We have reduced the number of senior military officers. We have reduced pilot and other expensive training. We have gone to more selective payment of incentive bonuses. We are converting spaces from 16 major headquarters into combat units. We have closed a number of bases. We have reduced fuel consumption by 20-25%.

We are buying a high-low cost mix of aircraft and ships. We are consolidating some of our airlift assets. We are reducing the bomber/tanker strategic alert rate, and transferring tankers to the reserves. We have and are still reducing CONUS air defense missiles and aircraft. We are increasing personnel tour lengths. We are reducing officer graduate education. We have cut down our major weapon system overruns — though not enough. We have improved the officer/enlisted ratio, and so on. The net result: annual savings in cost avoidance on the order of one-half to one percent of our total budget. Our planning assumes that we will continue—somehow—to find more improvements. After all, that's one of my jobs.

On the other side, however, Executive policies sometimes run counter to sound planning. Until recently, we were not even permitted by OMB to allow fully for *anticipated* inflation in our procurement accounts. Consequently, we have a backlog of uncompensated accounts—primarily in the shipbuilding area—where we simply cannot build the ships authorized by the Congress back in '71 through '74 without a major inflation payback. This, in turn, appears to add "growth" to the FY 76 budget. Moreover, we are still proscribed by OMB from inflating the nonpersonnel half of our O&M account. We are supposed to absorb that inflation through "management improvements." With 10% inflation, there is no way to do that. The consequence? A gradual decline in the condition of our "roadbed."

National policy decisions also impact on our

budget. These are things we do not initiate but to which we loyally respond when so directed. Let me give you a few current examples: We are being asked as part of our national energy crisis to pay about \$400 million for the exploitation of some of our oil reserves. We will soon spend \$500-600 million annually to *partially* comply with Title VIII nuclear propulsion for ships. We already spend over \$200 million annually on environmental programs. We are now required to pay \$150 million annual rent on our buildings to GSA, and we now pay the Postal System \$130 million annually for our franked mail. We are now paying perhaps \$50 million annually to comply internally with the requirements of the Occupational Safety and Health Act. We pay about \$500 million annually to support the "Buy American" act, and about \$100 million to comply with single-year procurements. Another \$200 million is required to comply with the Monroney Amendment and new five-step wage scales.

There is perhaps too little Defense resistance to these changes. We cannot forecast these things, and when they come into being, they cost us money — money which makes it appear that the Defense budget is "growing," but from which we get no added defense capability. They constitute one more reason, however, why we can't live with level or declining funding — and why our self-initiated efficiencies do not show.

In view of all the foregoing, then, let me summarize my message:

- A strong defense posture is essential.
- Maintaining a strong ready defense establishment is a big, dynamic operation.
- We cannot measure trends in our defense strength by looking only at the current fiscal year.
- We cannot maintain our required defense strength on a continuously declining real program budget.
- We cannot save much money on a one-year, one-shot basis.
- And lastly, we are *not* the big wasters so many people think, but our yearly improvements in efficiency are largely offset by increased costs of national policy decisions.

While America has been searching for elusive "peace dividends," and searching for economic solutions to inflation and unemployment, our defense posture has taken the burden of the cuts. The Soviets have had no similar problems; no search for peace dividends, no inflation, no recession and no change in their national resolve. The Soviets have not even had an oil shortage since they are an oil exporter. Their advantage has been significant - and they have used it well. The time has come to realize that the world-wide military balance is beginning to deteriorate, and that a posture of *unintentional* weakness is as bad—if not worse—than a posture of *deliberate* weakness under these circumstances. The time has also come to realize that we cannot achieve our ambitious hopes for domestic programs at the expense of our nation's strength. It is not only an unwise course, it is an impossible course.

Mr Sullivan responded to the following questions:

Q. Did you see any sign that the new Congressional Budget Office will open the vision of Congress to some of our problems?

A. No. We have no indication of that so far, but we hope they will try to take on a job that is not being performed by existing committees. I hope they will spend considerable time addressing the problems of where this country is going within the next five to ten years. I think they will become very seriously alarmed by what they find.

Q. You imply that the Defense Department believes that Congress must address Defense spending as a five-year problem. Do you really think that it's practicable to get Congress to do this and what will it take?

A. Well, it's going to take a very, very great change in the approach of the Congress. They are going to be asked to address things which

we can do by talking to each other. We have to get out and talk to people other than our friends, and maybe even talk to our own children about the fact that the Defense Department is not the monster it is claimed to be. I honestly do feel that the new young Congress can be reached, and they can understand the problem if we can get the message to them.

Q. Do you ever foresee a five-year appropriation?

A. I think it is a possibility. We have an interesting situation with the House Seapower Subcommittee. They fully intend to try and get shipbuilding back on a five-year basis, and I am in the peculiar position of having to resist that. I resist it because I don't see any way to promise Congress to put a fixed amount of money into shipbuilding if they don't tell us how much money we can have for an Air Force or an Army. But the trend is in the right direction, and I would like to capitalize on that momentum to suggest that they request five-year plans in other large spending areas at the same time.

Q. Mr Sullivan, as I listen to you, I try to project the Secretary of Health, Education and Welfare making a similar speech. He could easily paint an almost identical picture. He could say that there are nine and a half million people unemployed. He could say that wages of military and DOD civilian employees exceed those of a lot of people in this country. He could say that there are twenty-eight million people below the poverty line. How would you debate your cause against the HEW Secretary?

A. In the first place, I would start out on a statistical basis. Certainly his position for the last ten or fifteen years has been one of rapidly expanding Federal expenditures, compared to the shrinkage in our area. In fact, the country has changed its priorities enormously, and the fraction of Federal expenditures going into Defense has dropped greatly the last few years.

I think you also have to recognize that the Federal government is solely responsible for the raising of our Armies, while it is the combined efforts of Federal, state and local spending which are responsible for social welfare and many aspects of education. I honestly believe the most important element of our social welfare is freedom of our country. I must question whether we can satisfy the social appetites of the country by Federal spending rather than by the efforts of the citizen. So I would debate him quite openly on the fact that he is getting more money every year, while we are getting less. It really comes

Q. Do you foresee any continuity coming out of the new Congressional Budget Office, or have we created another monster?

A. We've created a sort of a furry little thing, and we don't know what it's going to be when it grows up. The basic problem is that the House Budget Committee decided that it would never get to be more than four years old—by rotating its membership every four years. We are going to be dependent again on the input of the staff to that committee, rather than the competency of the individual members. On the other hand, the Senate Budget Committee hasn't done that, and there is every indication that under the leadership of Senator Muskie, they are going to try and do responsible things.

I have the job of being OSD contact with the Budget Committees, and I find that in the main they are made up of excellent people. I have been trying to attract their attention away from their first start, which was to rule on the size of the Federal deficit for FY 76. I don't blame them for looking in that direction first; it was certainly the most current problem that they could address. But eventually they have to start looking at a five-year plan. The Chairman of the House Budget Committee has told me he intends to begin looking into the five-year projections of all Federal spending within the next six or eight weeks. It is the first positive indication I have had that they will move in that direction.

The Editor Comments:

Mr Sullivan was most helpful in providing AFC with some visual material to supplement his excellent presentation. This adds an additional dimension to the story. For more information on his concepts of defense planning we suggest reading his April 14 statement to the House Armed Services Committee, which was reprinted in the *Congressional Record*. Your local Congressman can help here.

Mr Sullivan brings a unique blend of knowledge to his current position: Two years in the Marine Corps' enlisted ranks

ORGANIZATIONS EVOLVE... they don't hatch

I would like to discuss with you the latest thinking on organizational development, recent innovations in organizational design, and some of the practical short cuts which managers can use to build a vibrant, effective organization. Unfortunately, I won't be able to do that. The last 30 years have produced little more than cosmetic changes to organizational theory—and if any of you have found a quick, easy way to build a vibrant, effective organization, please tell me about it. Organizations evolve—they do not hatch.

I am sure that each of you has attended as many seminars, read as many books, listened to as many presentations, and been exposed to as many day-to-day problems regarding the development and management of organizations as I have. Reflection on what were, at the time, some of my more exciting discoveries regarding management organizational principles brings to mind such earthshaking axioms as:

- For an organizational role to exist and to be meaningful to people, it must incorporate a clear concept of the major functions or activities involved.
- There is a limit to the number of subordinates a manager can effectively supervise, but the exact number will depend upon underlying factors.
- Before taking any action to introduce or implement a change, management should allocate some time for analysis and planning.
- It is necessary that an organization's objectives, policies, structures and methods of operation be consistent to achieve and maintain efficient operation and vitality.

At the risk of overwhelming you, I could go on indefinitely. But don't panic—enough is enough.

Let me quote Hugh Prather, a contemporary author who, even though he leans to the literary, has an excellent grasp of the world around him.

Ideas are clean. They sour in the serene supernal. I can take them out and look at them, they fit in books, they

lead me down the narrow way. And in the morning they are there. Ideas are straight—But the world is round, and a messy mortal is my friend. —Come walk with me in the mud. . .

Ladies and Gentlemen, make no mistake, we are all slogging along up to our hips.

Why do we organize? Or, more importantly, why do we reorganize? I can assure you that every reorganization in which I have participated was done in the name of efficiency, economy and effectiveness. But let's be honest, reorganizations are nothing more than reactions to a wide variety of stimuli or pressures.

Some of the strongest influences over Defense organizational decisions are external. They come from the Congress, the White House, the public, and the press. From the enactment of the National Security Act in 1947 to the currently proposed bill for "Government in the Sunshine," the Congress is a driving force behind us and every other Federal Agency. It affects our organization structure as evidenced in part by the statutory existence of the Joint Chiefs of Staff, the Director of Defense Research and Engineering, and the Assistant Secretaries of the Military Departments for Manpower and Reserve Affairs. It affects our force structure and military posture by exerting significant pressure on such activities as our Base Closure program.

The direction and intensity of our program emphasis are influenced by legislation not directed at Defense such as the Freedom of Information and the Privacy Acts. As a result of these relatively new laws, organizations have been restructured, staffs have expanded, and functions have been redistributed—at present we can only speculate on the total impact over the long haul.

Another ever present influence over Defense organization is, of course, the White House. On November 5, 1971 a Presidential memorandum was issued which,



David O Cooke
Deputy Assistant Secretary of Defense
(Administration)

among other decisions on the Federal intelligence community, directed consolidation of DoD mapping, charting, and geodetic activities—hence the establishment of the Defense Mapping Agency.

Never underestimate the power of the public and the press when examining the Defense decision-making process. Admittedly, these pressures usually emerge through indirect channels and the process is normally evolutionary, rather than revolutionary, but many a program or activity can trace its survival or demise to public opinion. For example, creation of an All Volunteer Force, which, as you know, looks as if it is going to make it, was due in large part to public discontent with the inequities of the draft system.

Another cause for reorganization, in and out of the Government, even though we don't like to admit it, is people problems. When confronted with such a situation, the reaction of too many managers is to reorganize—not massive reorganization—but just enough to take care of the problem. It would be interesting to know the number of "Deputies For," "Special Assistants," "Assistants To," and fragmented functions that we have throughout the Department as a result of such actions.

Finally, we are subject to a multitude of internal influences,

not the least of which is the personal philosophy and management style of the Secretary of Defense.

When Mr McNamara became Secretary of Defense in 1961, he stated that:

Either of two broad philosophies of management could be followed by a Secretary of Defense. . . a passive role or an active role, one of questioning, suggesting alternatives, proposing objectives, and stimulating progress.

He made it quite clear during his tenure that he would take the latter course.

Secretary McNamara focused on issues. He would make relatively independent analysis of the facts, and move out quickly. The decision-making process was centralized and speedy—there was no doubt where final authority rested. He made internal management reforms which, in general, accomplished his objectives without resorting to burdensome legislative proposals.

Secretary Laird was oriented to people and their effective utilization. He had the ability to resolve complex problems and achieve seemingly impossible objectives with a minimum amount of turmoil. He could take an issue, talk about it, bounce it around a bit and, before anyone realized what had happened, the issue had disappeared. Many of you will recall Mr Laird's efforts at participatory management and a decentralization of the decision-making process—he wanted the benefit of every available point of view before moving ahead on major efforts. However, he made it clear that participatory management was not to be confused with participatory decision making. His management philosophy is graphically capsulized by his statement that:

It is easy to centralize the power to make decisions and the power to spur action at the top of a large organization and, in the process to stifle the bright ideas and restless energy of people down the line. You must have people you can trust. . . It is simply foolhardy not to make maximum use of the

great talent, wisdom and experience available through the JCS and within the Services.

To date, Secretary Schlesinger appears to have brought yet another management style to the Department. He represents a strong, central figure who has a knack for taking an issue, blowing away the smoke and red tape, and presenting the facts in clear, uncomplicated terms. His honesty in discussing national security is refreshing. And I am convinced that over the long haul, it will reap tremendous dividends for the Department and the Nation.

Each of these Secretaries, although different in personality and management style, has had a significant impact on DoD programs and organization. For example, Mr McNamara, recognizing a need for stronger resource management, instituted our Planning, Programming and Budgeting System and established the Office of the Assistant Secretary of Defense (Systems Analysis). Mr Laird ended three decades of military conscription in this country by establishing the All Volunteer Force. And Mr Schlesinger has devoted a considerable amount of his time and effort to converting headquarters and support resources to combat capability. Unquestionably, these and other contributions will constitute a legacy impacting on the Department for years to come.

Interestingly enough, and probably more by chance than design, each of these three men brought to the job his unique blend of capabilities and management temperament which, because of the posture of the Department and the climate of the Nation, enabled him to do an effective job at the particular time he took office.

Now that I've had the opportunity to reflect on organizational influences and poke a little fun at the theorists I'd like to dwell for a few minutes on five simple, but what I consider to be indispensable, principles for the effective manager:

First, always keep sight of your basic mission. Don't clutter up your organization with superfluous activities which, over a period of time, can swallow up valuable resources, and even total programs. Dedicate the bulk of your resources to the job which

has to be done effectively in order to keep you from getting fired. There is a fine line between shifting program emphasis to keep up with changing times and cluttering up your organization with a lot of unnecessary frills. There is no greater waste of time than expending a great deal of energy to do an outstanding job that really didn't need doing in the first place.

Second, keep organization arrangements simple. Leave no doubt as to who is responsible for doing what job. And, most important, don't mess up the structure with "staff advisors" and "special assistants" to keep busy by meddling in everyone else's business. If you're going to take care of a personnel problem, don't do it at someone else's expense.

Third, work closely with your key people. Don't play a guessing game with them. Keep them informed and let them know where you stand on issues. Deal direct and use intermediaries as little as possible. They garble or distort your guidance and, normally, each intermediary shortens original deadlines by at least one day.

Fourth, don't be afraid to delegate—overmanagement breeds incompetence and ineffectiveness. A system of checks and balances can strengthen controls but, if overdone, it can also destroy initiative, creativity, and responsiveness. Accept a well-intentioned mistake once in awhile—it builds confidence in subordinates. Normally, the manager who refuses to delegate is insecure. You should be dependent on your staff—not vice versa.

And last, even if you choose to ignore my first four principles, whatever you do, staff your organization with "good people." "Good people" does not necessarily mean experienced people, nor highly educated people, nor well trained people. To me, good people means perceptive, intelligent, industrious, honorable people who have common sense and the ability to get along with superiors, peers, and subordinates—additional qualifications in the way of education and experience are icing on the cake.

Good people are not easy to come by, but a handful of them will make an organization hum. Observe them closely because, in a short time, they will build an informal organization which reflects the channels of

communications, work processes, and procedures that are required for an effective operation. A good manager will then adjust his formal organization accordingly.

As Peter Drucker observes:

Organization is a means to an end rather than an end itself. Sound structure is a prerequisite to organizational health; but it is not health itself. The test of a healthy activity is not the beauty, clarity, or perfection of its organizational structure. It is the performance of people.

He then goes on to comment, "Reorganization is a form of surgery; and even minor surgery has risks."

This is not an original observation, however, Petronius Arbiter, a Roman author who some 2,000 years ago wrote:

We trained hard...but it seemed that every time we were beginning to form up into teams, we would be reorganized. I was to learn later in life that we tend to meet any new situation by reorganizing; and a wonderful method it can be for creating the illusion of progress while producing confusion, inefficiency and demoralization.

Mr Cooke responded to the following questions:

Q. Would you address changes being proposed by the Defense Manpower Commission?

A. The Defense Manpower Commission was established by Congress and given an impossible charter to determine what great and sweeping Manpower efficiencies could be made across the board. It is headed by Curtis Tarr, former Assistant Secretary of the Air Force for Manpower and Reserve Affairs. They did not move out to a fast start, and have come under some criticism from the Hill for the slowness under which they've been moving.

The technique of the commission was to examine a wide range of problems ranging from computation of pay to organization. Their approach is to look at all the issues, and then hopefully, in the months to come, focus on some of the issues of major substance. I think it is impossible to speculate precisely what will come out of their deliberations. There may be recommendations for changing the role of Service Secretaries. They took a hard look at the University of Health Sciences, which is just in the process of coming under way. They may take a run at pay recomputation.

Based on previous history of similar endeavors, I don't look for major changes being implemented as a result of the Commission's recommendations, whatever they may be.

Q. Do you foresee any major organizational changes coming up in Defense?

A. I would think not in the immediate future. If you look at past history, major changes in Defense usually occur with the change of an administration, or shortly thereafter. And generally speaking, major changes occur at the start of a new administration. For instance, there is usually a period of 6 to 12 months where a window opens and major changes can be put into effect by a new Secretary of Defense. Conversely, at the end of an administration or on the completion of the tenure of a Secretary of Defense, it is much more difficult to make major changes.

There have been, and I am sure there will continue to be modifications in our Unified Command plan. Among more recent examples of this sort is the disestablishment of the Alaskan Command. There may be minor readjustments of functional responsibilities assigned to Military Departments and the Defense Agencies. However, I don't foresee major organizational changes between now and let's say 1977.

Q. Would you think Mr McNamara's management style would be effective in today's political arena? Also, would you give us a brief comparison of his style to that of Mr Laird and Mr Schlesinger?

A. I don't think the management style of a secretary is the determining factor in our relationship with the Hill. I think problems on the Hill are essentially those of allocation of resources, such as between social programs and Defense.

Having said that, I would observe that Mr McNamara's style, at least until the acceleration of Vietnam in 1965, worked well with the Congress. He always said no man should hold the Office of Secretary of Defense for more than four years. Had he left in 1964, he would have departed with an unblemished track record. He's the one who initiated the now well-known rather detailed Posture Statement. As you know, Mr McNamara revelled in facts and figures, and had personal capacity for infinite detail. And this was apparent in his annual Posture Statement.

Mr Laird presented a completely different picture. He was a politician, and really, a creature of the Congress. He often said the greatest years of his life were spent on the Hill. For instance, while in the Pentagon, he would get his hair cut at the House Barber Shop, where he could talk with, and get the feel of individual members of Congress. He had strong ties to the leadership group, both on the majority and the minority side. And he used those ties. So you can see that his operation projected a different figure than Bob McNamara. And, both were effective.

Right now, Jim Schlesinger, with his carefully reasoned analysis, particularly in the area of force structure and strategic requirements, has a great deal of appeal to the younger members of the Congress who are not too familiar with Defense operations.

Any Secretary of Defense brings his own style to the job and has to interact with current political issues of the time.

Q. Do you feel the Department of Defense is adequately organized to accomplish its function at this time? The reason I raise this question is that during both the Korean and Vietnam conflict, we had to establish new organizations in order to accomplish our mission.

A. During the Vietnam era, we had no major changes as a result of the conflict itself. There were some new Defense Agencies developed, but not as a result of the war in Southeast Asia.

War, of course, is a business fraught with uncertainty. No war or major military campaign proceeds precisely as anticipated in operational plans. Now, having said that, yes, I believe the Department of Defense is well organized to accomplish its mission. With no changes or provisions for change, we would be a dead or declining organization, something like Forest Lawn in Los Angeles. We are constantly experiencing management or organizational shifts at one level or another. It should remain that way.

General Lincoln was Director of the Office of Emergency Planning for about three years. In that capacity, he had to deal across the board with all executive departments and agencies. Even discounting his own parochial pride in the military, he said that in his judgement Defense was the best organized, the most responsive of any of the executive agencies. And as a result of my own interagency dealings, I can only confirm General Lincoln's views.

Q. Do you feel that the many major reorganizations of the Department of Defense have solved your problems?

A. Let me give you a short answer: NO!

Now, let me elaborate. I think there is a tendency in both government and industry to say, "...when in doubt, reorganize." Somehow, we feel that we can solve substantive problems by changing the wiring diagrams. I don't believe that's true. As a matter of fact, I sometimes argue that the thing that holds the Pentagon together is the continuity of its problems. For instance, you can read the cost overrun report of the Senate Preparedness Subcommittee issued in 1969 by a Texas Senator named Lyndon Johnson, and it sounds remarkably current. So at best a good organization may facilitate the solving or dealing with substantive problems, a poor organization may impede such action.

One last comment: We in the United States tend to pose things in terms of *problems*. We are an optimistic people, and if you couch conditions in terms of a problem that means the condition can be solved. Once you find the solution, the problem goes away. I'd suggest that in many of the things we're wrestling with, such things as acquisition of major weapon systems and allocation of scarce resources, are not problems in the sense that we're going to find the holy grail and they'll go away. They are conditions under which we do our work, and we will have to stay alert for the best solution at the time.

The Editor Comments (briefly):
Mr Cooke did his usual superb job. His credentials on DoD organization are impeccable, having worked closely with every SecDef since Mr McElroy.

1975 ASMC AWARD PROGRAM

AFC is proud to recognize the winners in ASMC's fifth Financial Management Awards Program. We also wish to congratulate all of the many nominees whose names came from the entire defense establishment, on a world-wide basis. Colonel Joseph A McHugh, 1975 ASMC Awards Chairman, reports that final selections were difficult, since so many top-flight nominations were submitted.

While the system precludes all nominees being selected as winners, AFC salutes both winners and nominees. Both categories demonstrate the highest degree of professionalism. And don't forget, there will be another *Awards Program* in 1976.

WINNERS BASED ON NOMINATIONS FROM THE FIELD

- Accounting:** *Laurence Moulis*
Hqs, US Coast Guard
Washington, DC
- Auditing:** *Lieutenant Terrell W Hatfield*
Air Force Audit Agency
Eglin Air Force Base, Florida
- Budgeting:** *Commander J F McCarton*
Navy Recruiting Command
Arlington, Virginia
- Data Processing:** *Specialist Jeff D Vowell*
US Army Intelligence Center
Fort Huachuca, Arizona
- Economic Analysis:** *Captain Donald D Graham, USAF*
Defense Electronics Supply Ctr
Dayton, Ohio
- Finance:** *Captain Richard B Granger*
82nd Airborne Division
Fort Bragg, North Carolina
- Mgmt Analysis:** *Robert R Jameson*
Hqs, Army Materiel Command
Alexandria, Virginia
- Mgmt Information:** *Captain Lloyd D Borchert*
1st Corps Support Command
Fort Bragg, North Carolina
- Young Person:** *William N Hogan*
Defense Mapping Agency
St Louis, Missouri



Dr George S Odiorne receives the *Author's Award* from General Sears in recognition of his excellent book *Management and the Activity Trap*. See AFC (April 75) for a review of this fine publication.



General Sears congratulates General John A Kjellstrom on receiving the *Author's Award* for his AFC article, "Goals and Objectives as Comptroller of the Army" (1975 Winter issue).



Mr Gilbert Ramos, President of the Cocise Chapter (Ft Huachuca, Arizona), receives the *Outstanding Chapter Award* from General Sears. Second place went to Ventura with Los Angeles finishing third.



Dr Brenda Forman, International Affairs Specialist in the Office of the Assistant Secretary of Defense (ISA), receives the *Reader's Award* from General Sears for her many contributions to ASMC.

THE CONGRESSIONAL BUDGET OFFICE

... a new organization in a new procedure



Dr Alice Rivlin
Director
Congressional Budget Office

My purpose today is to share with you the growing pains of a new organization and a new procedure. I'm sure most of you are aware that the Congress has set up a new procedure for looking at the budget, but I suspect that many of you are unclear as to exactly what it is. So are we, and so are the members of Congress whom we serve. It's a process that will take several years to evolve. But let me tell you what I can about how the process might work and, indeed, how we all might work together to put the Congress in a better position to understand the budget and budget decisions, and, hopefully, to make better decisions.

To figure out what the Congress is trying to do about its way of looking at the budget, one has to go back to what was wrong with the procedures they've had: Why did they want to change the system? Well, the short answer to that is that they didn't have a procedure.

The Congress never has really had a way of debating and voting on the budget of the United States Government. The budget of the United States Govern-

ment, after all, is really the only document that we have that reflects decisions on national priorities. It reflects the decisions, good or bad, on the relative importance to be accorded to different national problems. How much of our national resources do we want to devote to protecting the country? How much to improving health? How much to improving housing? Those decisions are somehow made and reflected in the budget. So are decisions about who is going to pay—rich or poor—and through what kinds of taxes. Decisions about fiscal policy, about the impact of the budget on the economy also are reflected in those decisions. After all, the budget is a major instrument for shaping the economy. Yet these decisions never are made explicitly, since the Congress, up until now, never had a way of debating those issues as such.

Take the defense budget, for example, in which many of you are involved. Decisions come up from the bottom, through requests for spending. Priorities are evaluated at various levels in the Department of Defense. Then they go to the Office of Management and Budget and, ultimately, to the President, who sits down with all the choices and decides what he wants to do. He doesn't have a completely clear hand: Many expenditures are fixed, and he must take political considerations into account. But within these constraints, the Administration does have a mechanism to consider revenues and expenditures together and to implement the President's strategies and priorities.

Until now, the Presidential review was the last time the budget was reviewed as a whole. When it was sent to Capitol Hill, it was pulled apart, physically pulled apart. There was no one person, no one committee, to which the Administration could explain its overall objectives. Spending proposals went through a

complicated series of decision, first the authorizing committees (Armed Services in the case of most of your programs), then appropriations subcommittees (such as the Defense Subcommittee). Each of these subcommittees held hearings and expressed its views on its piece of the budget, then brought these recommendations to the floor for a vote. But always in pieces.

At no point was it considered on the Hill whether money should be moved from health to defense or from housing to fisheries. That kind of question was never in order. Each Congressman had to vote yea or nay on a particular appropriation. He could try to add an amendment, or to say that the appropriation should be smaller or larger, but it was never in order to say that one was less important than something else.

Moreover, about half the budget doesn't go through the appropriations process at all. Permanent appropriations, things like Social Security, go through the Finance and Ways and Means Committees. Meanwhile, on a whole different wave length were the tax committees, making their recommendations on changes in the tax code, again to be voted on separately and in isolation from spending votes. And at no time was it ever in order for anyone to question whether higher taxes were needed to support particular expenditures. Consideration of both revenues and expenditures together never happened on the floor. While the Joint Economic Committee does hold hearings on fiscal policy and other economic issues, the JEC is not a legislative committee; that is, it cannot bring anything to the floor for a vote.

A second problem, in addition to the problem of fragmentation, was the timing of the process. The President's budget comes to the Hill in February, five months before the start of the

fiscal year, but the Congress rarely passed appropriations bills before July 1 when the fiscal year began. They used to get everything done by the Fourth of July, but government has become much too complicated. It's been 20 years since appropriations bills were passed before the beginning of the fiscal year.

In recent years, it has been normal for the Congress to pass appropriations bills in late summer, and sometimes well into the fall, long after the fiscal year has begun. You are familiar with the sorts of horrors that leads to. You run on continuing resolutions, not knowing exactly how much money you are going to have. If you were a state or local government, you would share this uncertainty, not knowing what assistance would be coming. A school system opens its doors on the first of September, the Office of Education does not yet have its appropriations, so the school system doesn't know what level of Federal aid it will receive.

But much worse than the above was the fact that the Congress was locked into many decisions because of the lateness of their consideration, and the fact that they were looking only at one year at a time. Congressmen couldn't change anything very much because there wasn't time to make changes. If you want to make big changes in something you have to look two or three or four years ahead, and then determine the implications of a long-range decision on this year's budget. You can only fuss around the edges of the current year's budget. When commitments have been made, people have been hired, it is difficult to fire them and to change the direction of the program. And it is even more difficult to decide to start something in the current year.

All of these things have been true for a very long time. People have talked about the weakness of the Congressional budget decision process and have written scholarly papers about it. But nothing ever happened except a few aborted attempts about 20 years ago to change the process. However, this pattern was changed by a rather accidental political event a couple of years ago. I say "accidental" advisably. Many people feel that the Congress became angry with President Nixon and changed their procedure as

a result, but I don't think it was that simple. I think that the anger between the Congress and the White House really was an excuse for doing what many Congressmen thought they ought to do anyway. In any case, the Administration in mid-FY 1973 sent to the Congress the FY 1974 budget, containing budget priorities that were drastically different from what the majority of the Congress wanted to see.

Social programs that were dear to the hearts of many Congressmen were to be cut dramatically. The Congressmen were mad. They were frustrated because they didn't know what to do about their anger. They could fuss and try to pass things over vetoes, but they sud-

...CONGRESS MUST, BY VOTING, EXPLICITLY CONSIDER THE SIZE OF THE DEFICIT, AND NOT SIMPLY LET IT HAPPEN.

denly realized what they had known for a long time: *They didn't have a sensible process for looking at budget priorities themselves.* They had no way to consider those proposed by the President, to debate them, or to offer others if they didn't like what they saw.

So it was this rather accidental confrontation and anger that pushed them into a serious effort to examine the budget themselves, to review it as a whole and to question its priorities. The result was the Congressional Budget and Impoundment Control Act, which has begun to be implemented this year.

The Act creates three new institutions: a budget committee in each house, and the new office that I head, the Congressional Budget Office. It also creates a rather complicated calendar of decisions to be made during the legislative year, and it changes the start of the fiscal year from July 1 to October 1.

The calendar of decisions is complex, but it has two basic decision points at the beginning and at the end. At the very beginning of the legislative year, it is the job of the budget committees to formulate a First Concurrent Resolution on the Budget, and then to take the resolution to the floor for a

vote. In preparing the resolution, the committees will look at prospects for the economy, whether there's a recession or inflation. In determining what kind of fiscal policy seems to be in order for next year, they will rely on estimates from the Joint Economic Committee and on hearings they hold themselves, as well as on estimates of the outlook prepared by our office. They will try to get a fix on what level of deficit, or, hopefully, surplus, seems appropriate. They also will look at major new directions that the government might take over the next few years, and try to set some targets for major expenditures by functional categories. The First Concurrent Resolution, then, which must be approved by both the Senate and the House, will suggest target levels for overall spending and revenues for the next fiscal year by major categories.

The 1976 First Concurrent Resolution on the Budget was approved on May 14, 1975. The resolution provides the appropriations committees and subcommittees, and the revenue committees, guidelines within which to work. The various committees proceed to examine their pieces of the budget, similar to the way in which they did in the past, but keeping in mind the Concurrent Resolution guidelines. Next they bring their sections of the budget to the floor for a vote.

After all the revenue and spending bills are passed comes a second moment of truth when the budget committees put all the efforts together. They will examine the outlook for the economy to determine whether it has changed since passage of the First Concurrent Resolution and whether the fiscal policy approved in the spring is still appropriate. They analyze how the deficit reflected in the actual revenue and spending bills compares to that approved in the spring.

The budget committees will then formulate a Second Concurrent Resolution, recommending that the actions already taken by the Congress be approved or disapproved. If, as seems quite possible this year, the actual deficit seems larger than they thought appropriate in the spring, they face a different situation. They can recommend that the larger deficit be approved if they feel that the economy has become worse. Or they

can recommend that appropriations be cut back or that revenues be increased. The Congress as a whole then votes on their recommendation.

And that is the significant point. The Congress must, by voting, explicitly consider the size of the deficit, and not simply *let it happen*.

Moreover, when the process becomes fully operational, the final moment of decision will give them a chance to look at all the spending measures together and to decide whether they actually accomplish what they were intended to accomplish. For example, did they really want to give that much to housing and that little to aircraft carriers? It will permit comparisons to be made that were never made before.

The House and Senate took the first beginning steps in this process in formulating the First Concurrent Resolution. It was fascinating to watch them undertake this process, to look for the first time at the whole budget. They found it very difficult to make choices and to debate the question of fiscal policy and to consider the size of the deficit. The House and Senate went about it very differently.

The House of Representatives is a body which thinks in the small, in detail. It is traditional in the House for members to work very hard on the details of their particular subcommittee and to become expert in a relatively small area. So, in the tradition of the House, the House Budget Committee went about its work in a very detailed way, going point by point through the President's budget, indicating which particular aspects of it they liked and didn't like.

The Senate has a different tradition. Senators tend to serve on lots of committees and to think more in terms of large issues than in terms of details. So the Senate Budget Committee concentrated more on macroeconomic issues, such as the level of the deficit, and less on individual programs. They made decisions on major budget categories and moved some funds from one to another, but they did not give nearly as explicit directions to their Appropriations Committee as did the House Budget Committee.

A more difficult state of the economy could not have been

chosen for the first attempt at this process. And most Congressmen, after all, are not economists; many are uncertain about fiscal policy and the implications of a surplus or a deficit for the economy. They've never had to know much about such things. That was the nicety about their former procedure: It was easy to vote for spending measures or for tax cuts when they didn't have to vote for a deficit. The new procedure forces the Congress to deal with three figures together—total spending, total revenues, and the deficit—and those numbers *have to be consistent*. The process was particularly difficult this year because it was clear that a large deficit was necessary. The debate was over how large should be. They came out, as you may have read in the newspapers, recommending a \$68 billion deficit.

That figure is somewhat higher than the Administration recommended, and somewhat lower than many liberal members of Congress and many economists think necessary. I think it can fairly be said that nobody really likes the figures in the Concurrent Resolution. But it was a compromise, and I think many people voted for it in the spirit of making the new procedure work and getting something passed.

What can we look forward to in the future? I have to be an optimist or I wouldn't have taken this job. I hope that over the next several years the level of public debate will rise in the Congress and that we will get away, at least part of the time, from looking at very small issues—like whether generals ought to have chauffeurs—and begin looking toward more strategic issues. I don't use the word "strategic" in a military sense, but rather to convey a sense of where the government is going.

I think we can look forward to a more informed debate about fiscal policy, though I don't know how it will work. It is very difficult to discuss fiscal policy in a group of 535 people, and to *vote* on it. But it's probably better to try to do that than to let the fiscal policy of the United States Government continue to happen by an accident that results from separate sets of spending and revenue decisions made without anyone explicitly agreeing that the difference between the two sets is

appropriate.

The procedure has strengths, but it also has weaknesses. It is strong in that it provides a forum for looking at aggregates of decisions and an opportunity for debating priorities in the budget as a whole. The new process does not, however, do very much to address the problem of timing or the need to think in long-range terms. Changing the fiscal year from July to October buys only three months and increases only a little the probability that budget decisions will be made before the fiscal year starts. But it doesn't really enable the Congress to make big decisions ahead of time, when they can still be made. But that is one place that our office will play a role.

The Congressional Budget Office was created to provide an analytical backstop for the budget operation. We are a nonpartisan, professional, technical group of analysts who will provide the Congress with the best information available about the consequences of the decisions they make. We're required to produce several specific products. One is an annual report, which will assist in the formulation of the First Concurrent Resolution; it is there that we will try to lay out the longer range choices, to suggest different options for government programs five and ten years into the future. We also are required to produce five-year cost estimates of all authorizing and appropriations bills that reach the floor. If we do this well, the Congress will be forced to consider the long-term expenditure requirements of new programs. Five years isn't optimal for some programs—it's a very short period. But at least we will go that far.

This kind of operation, as you know, has been partially performed by the Executive Branch but it has been done on sort of a hit and miss basis; I think we can provide a consistent set of figures that are constantly before the Congress. We also will keep score weekly during the legislative year of the revenue and expenditure commitments, and compare those to targets in the First Concurrent Resolution.

Will it work? I think it has to, in one form or another. Any kind of new decision process threatens someone and this one threatens a lot of people. The budget committees

threaten the appropriations committees. Neither is sure how the process will work out in the long run. But I think it will work well, since the roles of the two are quite different. There is a role for those who look at individual decisions in detail and for those who look at the major outline of the thing.

Some view the process as a threat to the Executive Branch, as an attempt to "get back at" the Executive. But I think there is a strong joint interest between the Executive Branch and the Congress in making more informed decisions. I think there's a feeling that part of the problem in the way the Congress handles the budget stems from their frustration in never getting to look at major decisions, but rather being able only to jab at small ones in an often unproductive way. The Office of Management and Budget seems pleased to have someone on the Hill to talk to, with whom OMB can discuss overall budget strategy.

So my hope is that while there is an adversary relationship that preserves the separation of powers, that a dialogue and a raising of the level of discussion about major budget decisions will evolve. If all goes well, I think we all will be talking with each other in a more reasonable fashion about options and choices, rather than screaming across the table as we seem to have done in the past.

Dr Rivlin responded to the following questions:

Q. Will CBO be working with the Federal Reserve Board in terms of the economy as a whole?

A. More directly, we are counterparts of the Council of Economic Advisors, but we will, of course, be working with the Federal Reserve Board. However, we will have some of the same problems as the President, since the Federal Reserve Board is a quasi-independent institution. Mr. Ford can't tell Arthur Burns what to do anymore than Congress can.

In essence, CBO has been created to give Capitol Hill the capacity to look at the economy, and to make both forecasts and estimates of what the effective areas of governmental decisions on the economy might be. And one can't look at budgetary decisions without also looking at monetary policy. In some ways, our role is easier than that of the Council of Economic Advisors. To some extent, they are constrained to produce forecasts that are consistent with administration policy, and with what the administration would like to see happen. We are not so constrained. We work for

the whole Congress and it will give us a measure of independence and the ability to call things as we see them.

Q. Will the Congressional Budget Office be adequately staffed both as to quality and quantity?

A. I can honestly repeat that so far I am very pleased with the quality people we have been able to recruit. I have only been there since February 24 and I have done almost nothing other than deal with that question. In the near term, I think we will have about 200 people. That's very many for Capitol Hill. They gasp when I mention 200. It doesn't sound very big for Defense, but Congress is not used to having a lot of people around to do staff work.

But, they created CBO partly because they were conscious of this disadvantage. OMB has about 600 people. I don't think our office ought to be that big, as we have a different kind of a job. We don't need budget examiners familiar with all the details of all the programs. Ours is more of an analytical job. We will be seeking, and indeed have already found a mix of analysts with varied backgrounds in public policy analysis, many of whom have served in the executive branch. We need people with program experience who know how programs work, and have been in executive agencies or have been in state or local governments. Why? Because very often the needed expertise on a Federal program isn't in the Federal government, it is with the recipients of our grants and other things.

Q. Do you see your office participating in the process of formulation of the President's budget? Or more specifically are you going to wait until that budget is released and then report to the Congress?

A. No, we will not wait. We've given this question a good deal of thought recently. The law says that our annual report on the budget is to be on April 1. That's obviously a mistake. Our annual report will be the analytical basis, or part of it, for the formulation of the first concurrent resolution on the budget. If that is to be true, we must be ready to report by February 15. That means that our report cannot be a document written in reaction to the President's budget. It has to be written concurrently, and we will be working through November and December and January to put together a report which lays out major budget options for the Congress. Then, when we get the President's budget, we will plug that in, and will be able to

say here were some choices that they could have made, and here's what they did. We will be aided in doing that by another provision of the law which calls for the submission of a current Services budget by the Executive Branch on November 10. A current Services budget is supposed to answer the question "What will the budget look like if no new policies are undertaken?" We will be working on that with OMB. If they don't give it to us, we will have to build our own. But that will presumably form the base on which we will all be talking. By having this base, we can intelligently look at alternative new initiatives.

Q. Do you visualize your staff conducting things that look like hearings or will the pattern be more along the lines of informational dialogues?

A. We will not be conducting hearings. We will be seeking dialogues, but they will not be in the hearing form, which I personally regard as a very unproductive forum for exchange of information.

Your point is well taken and it is one that has worried me. I have testified on the Budget Control Act several times as it evolved. The point I tried to make was that if they were going to do anything, they ought to simplify the whole committee structure. What I would like to see eventually is a combining of the authorization and appropriation functions. You need specialists in pieces of the action, but you do not need two tiers dealing with the same decisions. If those two things could be put together, it would get rid of one layer. And it would be even easier now with the budget committees recommending how the whole thing fits together.

But it didn't come out that way. They not only continued the existing duality, the time-consuming process of going through two sets of committees every year, but they also added a new layer. And if Executive Branch people were harassed in the past, they are going to be even more harassed. I think that is a serious weakness and one that should be thought about very seriously by the Congress.

One other thing that needs change is the "annualness" of the whole thing. It's not obvious to me that every Agency ought to go through this annual authorization and annual appropriation every 12 months. Another thing that some of us crazy academics have been recommending is multi-year appropriations. They didn't do that either. But, I think there is more sensitivity to the problem and more desire to think about it on Capitol Hill than I anticipated before I went up there.

The Editor Comments: Dr Alice M Rivlin received her Doctorate in Economics in 1958, about the same time she joined the staff of The Brookings Institution. While at Brookings, she wrote extensively on such subjects as the federal budget and the economy, social experimentation, the economics of education and taxation. Mrs Rivlin served as an official in the Department of Health, Education and Welfare from 1966 to 1969. During her tenure as Assistant Secretary for Planning and Evaluation, she was instrumental in implementing their PPB system. On returning to Brookings in 1969, she continued her work on federal budget choices, social experimentation and distribution of income. She assumed her present position as Director of the Congressional Budget Office this past February.

C B I C A



Burton B. Moyer, Jr.
OASD (Comptroller)

QUARTERLY REPORT

Congress has now completed the first major phase of its trial run of the new congressional budget process. We know what its budget targets are for fiscal year 1976.

Cuts and Increases

In approving congressional budget targets on May 14, Congress endorsed more spending than the President has proposed, but it also recommended significant cuts in two major functional categories, defense and international affairs.

These cuts were more than balanced by significant increases in budget authority for natural resources, environment, and energy; commerce and transportation; community and regional development; education, manpower, and social services; health; income security;

veterans benefits; and law enforcement and justice.

In budget authority, \$21 billion in cuts was accompanied by \$31 billion in increases for a net increase of \$10 billion. In outlays, \$12 billion in cuts was dwarfed by \$29 billion in increases for a net increase of \$17 billion. Table 1 gives the full picture.

What About Defense?

In proposing congressional budget targets, the House Budget Committee recommended a net decrease of \$7.9 billion in budget authority for defense and a net decrease of \$4.2 billion in outlays. In reaching these totals, the Committee added money to give retired military personnel a 7 percent cost-of-living increase instead of the 5 percent assumed in the President's budget. It also provided more money for family housing utilities and maintenance.

Against these additions, the House Budget Committee made cuts in support for South Vietnam and Cambodia, in the procurement of war reserve stocks and inventory replenishment, and in real program increases. Additional decreases resulted from more optimistic assumptions about such matters as funds available from prior-year accounts, sales of equipment to foreign governments, and inflation rates.

After mention of most of the issues raised by the House Committee, the Senate Budget Committee recommended smaller cuts of \$6.7 billion dollars in budget authority and \$2.8 billion in outlays. In working out the differences between House and Senate totals, the conferees agreed on cuts of \$7.0 billion in budget authority for defense and \$3.3 billion in outlays. Table 2 gives the full picture. The con-

ference report described these reductions in the following terms:

All funds requested for military assistance to South Vietnam and Cambodia were deleted from fiscal 1976 estimates, including the outlay effect of the 1975 supplemental request.

The balance of the reductions are the result of revised inflation estimates, reduction in program growth, and financial adjustments.

Implications of Congressional Targets

The Armed Services and Appropriations Committees are now reporting authorizing and appropriating legislation that may or may not follow the defense spending targets of the conference report. The fact is that the congressional budget targets are not binding on Congress. Whether they appear only in the committee and conference reports, as they did this year, or whether they appear in the budget resolution, as they will next year, they are not mandatory ceilings.

The point to remember is that increases in one category of Federal spending must be accompanied by cuts in another category, or increases in revenues, if Congress is to stay within its targets for the budget deficit and the public debt.

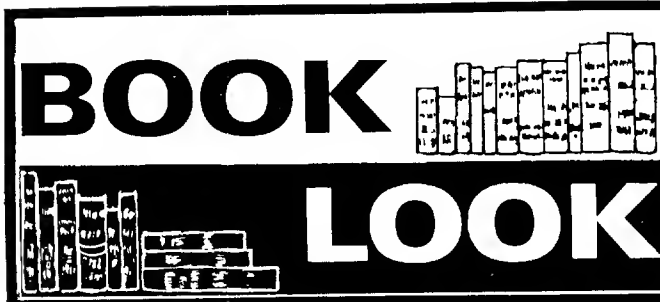
The final steps in the trial run will be taken in September or later, when Congress has completed action on all or most of the spending legislation for fiscal 1976. At that time, the Budget Committees will propose a final budget resolution. It will affirm or amend the earlier targets and provide cuts in spending, or increases in revenues or the public debt, if any are needed to achieve the final congressional budget levels.

	President's Budget	Congres- sional Increase	Per- centage Increase	Congres- sional Target
Authority:	\$385.8	\$10.0	2.6%	\$395.8
Outlays:	\$349.4	\$17.6	5.0%	\$367.0

Table 1. Federal Totals in Billions

	President's Budget	Congres- sional Increase	Per- centage Increase	Congres- sional Target
Authority:	\$107.7	\$7.0	6.5%	\$100.7
Outlays:	\$ 94.0	\$3.3	3.5%	\$ 90.7

Table 2. National Defense Totals in Billions



THE FIRST TIME I READ AN EXCELLENT BOOK, IT IS TO ME JUST AS IF I HAD GAINED A NEW FRIEND. WHEN I READ OVER A BOOK I HAVE PERUSED BEFORE, IT RESEMBLES THE MEETING WITH AN OLD FRIEND.

Oliver Goldsmith
The Citizen of the World, LXXXII, 1762

SETTING NATIONAL PRIORITIES: THE 1976 BUDGET by Barry M Blechman, Edward M Gramlich, and Robert W Hartman. The Brookings Institution, Washington, DC, 1975, 200 pages [\$3.50].

The federal budget, which every year guides the distribution of about one-fifth of the nation's resources, is probably the single most important expression of America's priorities. The administration's judgments about the proper distribution of national resources lead to budgetary decisions that profoundly affect national life. The appearance of the President's budget proposals each year gives the public and Congress an opportunity to examine them and to weigh them against alternative policies.

This book, the sixth in an annual series, is published as an aid to that examination. It describes the major decisions reflected in the proposed 1976 budget and projects their consequences for federal programs and for the size and composition of future budgets. It discusses some of the most important issues now confronting the nation: fiscal policy, inflation, unemployment, energy policy, and defense spending.

The authors are Brookings staff members with prior government experience who wrote the preceding edition of *Setting National Priorities*. Mr Blechman is a senior fellow in the Foreign Policy Studies program; Mr Gramlich and Mr Hartman are senior fellows in the Economic Studies program.

Comment on last year's book: "Like its predecessors...a gold mine of information about the government's policy choices for the future, including

inflation, defense, and social programs." Edwin L. Dale, *New York Times*.

Comments on previous editions: "Next to the publication of the Federal budget itself, there probably is no more important item expected yearly from Washington." *Boston Globe*. "Truly informed debate on the federal budget is difficult enough ... But it would be more difficult still were it not for the annual effort by the Brookings Institution to dissect the budget and to put forth alternative approaches for the future." *Washington Star-News*.

THE ELEMENTS OF STYLE, [Second Edition] William Strunk, Jr and E B White. New York: Macmillan Publishing Co, Inc 1972. 78 pages, plus Introduction [\$1.45].

Attention blathering bureaucrats, gobbledygooking guideliners and turgid technical writers! Strunk and White have written a short but informative book for you to read, consult and use daily.

The five chapters, 18 rules and numerous examples of dos and don'ts will instruct you on how to write clear, precise and emphatic sentences. The book will show you how to rip from your writing whimpy words and mushy phrases; awkward syntax and confusing sentences; and, common errors and poor style.

Your writing will never be the same if you practice rules such as: "13. Omit needless words." (p. 17); an illustration of how to use Rule 13 is to substitute "he" for "he is a man who." (p. 18). You will never

curse your ignorance if you remember to use correctly often misused words such as: "illusion" when you should use "allusion" (p. 35); "effect" when you should use "affect" (p. 39); "imply" when you should use "infer" (p. 43); "irregardless" when you should use "regardless" (p. 44); "I" when you should use "me" (p. 46); "that" when you should use "which" (p. 53); or "utilize" when you could use "use." (p. 55). (The wisdom of the last point can be illustrated by rereading the review and substituting "utilize" for every "use" and "use" for "utilize.")

If any of the preceding examples make you wonder about your writing, you need *The Elements of Style*.

Reviewed by
Lawrence L Downey
Directorate for Program &
Performance Systems, OASD(C)

Ted Mills. "Human Resources - the New Concern?" *Harvard Business Review*, March-April, 1975. Pp. 120-34.

Human Resource Development, a relatively new term, has been riding the crest of increasing interest for the last few years. It is difficult to explain why, but the article advances several hypothesis for this situation.

The article also presents a limited bibliography for further exploration. HRD techniques will not solve all of our problems, but certainly appear worthy of explorations in these "...not-so-brilliant times."

PERSON TO PERSON COMMUNICATION ... is it possible?



Dr Erik Winslow
Chairman, Department of Management Science
The George Washington University

Today I would like to address the subject of communications. But here of late I am becoming quite concerned because every time I pick up a book or see an article on the subject, there seems to be an underlying assumption that it is possible for any two human beings to communicate. I feel that a much better assumption would be to state that it is *impossible* for two people to ever communicate. And by way of communications, I am using a rather precise definition: The process of getting *ideas, values and attitudes* meaningfully into the mind of another person. And *meaningfully* becomes the major stumbling block.

If we were to look at the structure of the human brain, we would find that there are about ten to the tenth power neurons contained in the human cortex. To those of you involved with financial management in the Department of Defense, this may appear to be a rather routinely small number. But let me assure you that to those of us in psychology, ten to the tenth power sounds like a very large number. Almost by definition, this means that the permutations and combinations available within the structure of the human brain make it exceedingly *unlikely* that any two people will ever think exactly alike. And this is especially true if we assume that the

interconnection pattern of neurons in the human brain have something to do with the way we think. And this assumption is supported by many leaders in the field.

But there is more involved in the process. We are in trouble right at the beginning when we even try to communicate as unfortunately, the process involves some of the other oddities of genetics. First, none of us *hear* exactly alike. Secondly, the structure of our eyeballs also varies considerably so that none of us *see* exactly alike. However, sometimes after birth we run into another unique situation, a strange conglomeration of people called *parents*, and *brothers* and *sisters*. And these people either fulfill or nonfulfill certain needs with which we were born. But regardless of the role they select for themselves, they begin to structure the way in which a child views the world in which he lives.

Role demands and expectations play a large part in communication problems. One may wonder how a private ever communicates to a general, if in fact this ever does take place. It is not that one of them does not want to communicate, but the role, the demands and the expectations are such that it may be impossible for them to *really* communicate. However, as the organization narrows when moving up in the hierarchy, we find that it is *possible* for admirals and generals to talk to each other, and at times, to do it quite successfully. Unfortunately however, I am sure that even in the Department of Defense, you are prone to periodically hear that "...what we have here is a failure to communicate." That statement reminds me of a scene in the movie *Hud*, where the sheriff is beating Paul Newman with a rifle butt, and he counters with the classic line, "You know, what we have here is a failure to communicate." There is no question in my mind that they were communicating perfectly.

People communicate constantly, even when they don't appear to

hear or to act on what the other person might be saying. When I think of communication problems, it is helpful for me to think of them in terms of *symptoms*. I frequently find that people's perceptions of communication problems are much better described as communication symptoms. The problems are not usually concerned with people being able to understand. Most of the difficulties are wrapped up with people's *feelings*. They may feel that what they are hearing is of no importance or does not fall within the framework of their needs system. Or they may even come to the conclusion that the person who is talking to them is of no value in the first place. But there is no question that people hear, even though they do not act on what they hear. We all hear perfectly well that which we need or want to hear.

Another problem that I frequently see is that a number of issues become involved in what we *think* are communication problems. One such example is a concept called "malicious obedience." Malicious obedience is a symptom of a communication problem that sometimes begins like this: The boss gives an assignment to a subordinate saying, "I want you to do it exactly like this." The person on the receiving end of the assignment, having at least a bit of expertise in the general area, looks at the detailed instructions he has been directed to follow, and can tell immediately that the end product will result in a serious error or a mistake.

After some degree of stewing and possible soul-searching, the subordinate finally decides, "Alright, if that's the way I'm to be treated, I'll do the job exactly as I've been told...exactly!" And after three months' work, he submits the completed task. Only then is it discovered by the boss that there are serious errors and flaws in the project.

The boss comes back to the subordinate with a statement to the effect, "How could you ever have done this? Didn't you understand what I wanted you to

do?" The response: "Yes, I understood perfectly what I was to do." The boss: "But look at this error. You know better than that. You couldn't have possibly understood."

Of course, the subordinate maintains a straight face during the entire conversation. If you have practiced malicious obedience, you know that you never smile during this dialogue. Smiling would give away the secret of how well you *really* understood what was said to you. Experts in this technique will advise that you never smile until the dialogue is complete, and then only when passing the story on to a friend. But never *before*, under any circumstances! On the other side of the equation, the boss also talks to his friend, but there is no smile associated with his story. It usually goes something like this: "I just don't understand. I have this fellow working for me and he is usually an excellent performer, but evidently he did not hear me clearly on his last assignment. You just can't get good help anymore."

In evaluating this particular situation, it would be relatively easy to say there was a failure to communicate. Absolutely *wrong*! There is no question that both parties communicated clearly and precisely. The boss communicated distrust in his employee's competence, capability and skill. The employee communicated a desire to be independent, and to be perceived as competent and capable. When practiced effectively, malicious obedience is a *highly motivated act*, but it can never be classified as a communication problem. It is a symptom of something else present in an organization, which in this particular case, was a climate not conducive to good communication.

Whenever we find an organization's climate characterized by heavy evaluation, a maximum of control, and a strategy designed to get what is wanted regardless of the feelings of others, we will usually find a climate that makes it extremely difficult, if not impossible for people to communicate. This is also present in organizations where there is a clearly defined procedure for any and all tasks.

Another difficulty or climate that I frequently observe is associated with time. We all know that there is no

question that we could communicate better if *we only had the time*. This tells me that people's priorities are *not* on the business of communication. It is most apparent that there are pressures more important than having others clearly understand, and making efforts to be clearly understood by others. If the organization does not have the time for good communication, the problem is not one of communication, but rather a problem associated with priorities. You might take a look at your own organization's communication priorities.

Many organizations are also just *not* set up in such a way so as to allow communication to be possible. In other words, it is virtually impossible to get ideas, values and attitudes meaningfully into the minds of others. This is frequently due to the fact that jobs are designed with emphasis on the ability of the organization to control and manipulate those who work at them. It is indeed quite rare to find a job that is designed to use the best characteristics of those we hire.

There are two other thoughts I would like to leave with you. The first is that people are communicating nearly all of the time, even when they apparently misunderstand the messages that are being sent. The *misunderstanding* is frequently quite purposeful. When we talk about communication problems, as I mentioned previously, chances are that we are talking about communication symptoms. We are probably talking about the roles and the climate we established within the organization.

The other thought that I would like to briefly mention is that in many organizations, we try to communicate too much. Within the blurr of paper we find in most organizations, messages don't have an opportunity to be understood. We often resort to written communication, when face to face discussion would be much better in getting the job done. I am not alone in my position that written communication is the worst possible way to communicate with another human being.

In conclusion, I would like to leave you with three basic thoughts about communication. First, let's assume that it's *impossible* to communicate, and this might encourage all of us to try a

little harder. Second, the employment of malicious obedience is not a problem of communications, it is much more concerned with maximizing the use of human beings. And finally, we must all understand that written communication is the worst possible way to communicate with another human being.

Mr Winslow responded to the following questions:

Q. What do you feel is the greatest problem in communications

A. If by communications, you are referring to the interaction of two people, and I believe you are, then the greatest problem is our own super-involvement with ourselves. This prevents us from even making an attempt to understand the other person in all too many instances.

Q. In a large organization such as the Department of Defense, it's impossible to communicate from top to bottom by word of mouth. We must resort to written communication. Do you have any words of wisdom that might be of help

A. My only suggestion is that when sitting down to write something, you should start by telling yourself "Writing is the worst possible way to communicate." Then make a very special effort to write as clearly as is possible. If in your writing, you are aware that you are using the worst of all communication techniques, you just might do a little better. You should be particularly sensitive to the fact that the person reading your writing does not necessarily have the same point of view as you do.

In a large organization such as the Department of Defense, I am aware that you must of necessity use written communications, but check your work carefully. And if you do, it just might be that your message will be understood.

The Editor Comments:

Dr Winslow is a Professor of Behavioral Science in addition to being a Department Chairman at George Washington University. He earned his MS and PhD in Psychology at Case-Western Reserve University. He has had extensive teaching, counseling and consulting experience, and as was shown at the Symposium, has no trouble communicating. Should you wish readings in the *process* of communication, you might try *Symbols, Signals and Noise* by J R Pierce (Harper & Row).

DECISION MAKING

In talking about decision making, I'd like to make a distinction between the decision maker who has a *commitment*, and those who help him make the decision by making a *contribution*. I am reminded of the story of the chicken and the pig who, while walking down the street, passed a restaurant displaying a sign advertising ham and eggs. The chicken said, "Gee let's go in and get some." The pig said, "I don't think I will if you don't mind. For you it's a *contribution*, but for me it's a *commitment*."

In the limited time we have together, I will be a little bit iconoclastic, and I hope, a bit provocative. I'm going to describe things in terms of black and white, instead of shades of gray. I'm not going to get theoretical because while you and I know that's the way we teach it in our schools, that's not the way decisions are made out on the line. I'd like to get very pragmatic. Some of what I say will be based on an 18-month comprehensive study we did for NASA on Project Management. Some of my remarks will be based on some observations as a member of the Board of Visitors at the Defense Systems Management School at Ft. Belvoir. However, I'll take full responsibility for my thoughts, since they come largely from my own background and experience.

The classic approach to decision making has always been the IDA approach, IDA being the acronym for *information, decision, then action*. Let's talk about information first, because that's what most of us are familiar with. I think we know that it is impossible to get all the facts we would like to have in time for most operating decisions. By the time you'd get *all* the information together, the time for a decision would be past! In academia, we call this "decision making under uncertainty." That's what life is all about. For most of our decisions, we don't have all the informa-



Dr Albert J Kelley
Dean, School of Management
Boston College

tion. But we still try to quantify, sometimes over quantifying. However, there's a delicate balance we have to achieve between quantification and judgment.

After all, systems don't make decisions, nor do techniques. People make decisions. And intuition and experience and judgment can be just as important as other factors in making any decision. You can follow all the rules for decision making, but when you're through, if you don't have a comfortable seat-of-the-pants feeling, your decision may be a poor one. We tend to overemphasize techniques and tools. We also tend to overuse or abuse the computer.

Another area that we tend to describe as black or white is *authority vs responsibility*. You're probably all familiar with the old cliché that "I must have authority equal to responsibility." That's not really true. Look at a project manager. His authority and responsibility don't go hand-in-hand. He's looking at every trick in the book to get the job done. But he doesn't necessarily have the absolute authority to tell people in the functional organization what to do. There's a more significant little

equation that says "responsibility minus authority equals personal risk." And in many organizations risk is associated with either punishment or reward. You take the risk, and if you do well, you get a reward. If you don't do well, you get fired. We have a slightly different situation in the public sector, with *everybody* looking over our shoulders. Everybody pressing us to be 100 percent right. And as a result, we often seek minimum risks, which frequently result in delayed decision making. But again, no decision will ever be based on total information, because by that time it's all over.

Two important factors must be identified in any decision making situation. One is who *makes* the decisions; the other is who *appears* to make the decisions. I think this is a very important distinction. The decision maker must know in which of three areas he's working. First is where I make the decision, and I have the final authority. The second is when I pass the problem up the line, and my boss makes the decision, and everybody knows he did it. The third area is much more subtle. It is when my boss *really* makes the decision, but he and I agree that the world should perceive that *I* made the decision. This one can be tricky, as well as very important.

Another area we should discuss is one I sometimes call "decision boxes." As a decision maker, it's important to know what box you're in. Each of the three boxes I'm going to mention gets progressively smaller. The first box is *consensus decision*. For certain decisions, it really doesn't make much difference which way it goes, so you get a consensus. You let everybody participate in the decision and go off in the most popular direction. And it's an important technique for many routine limited decisions. You maximize participation in the decision.

The second

box, a little smaller, is when *no one* can make a decision. Everybody wants to go off in a different direction. This is when the decision maker begins to earn his money. He separates all the alternatives, and then makes a decision.

The third box is very small. This is when everybody wants to go *that* way, and as the decision maker, I want to go *this* way. This box presents itself every once in a while and you have to know how to use it and when to save it for the important decisions where you really want to "win." If, as a manager, you "win" every decision, then people are just going to fold, and you won't get any feedback. The most critical action involved with this box is deciding when to use it.

Another factor to be considered is *priority* of decisions. Decisions must be made in a right order. You don't just grab the first thing that comes along, but after logically surveying the big picture, you then sort out the various priorities. Then things begin to fall into place. Otherwise, there can be chaos. This is one of the advantages of systems like PERT. They don't solve problems, but they do result in orderly decision making. They break decisions into orderly, bite-size pieces. We humans just have difficulty comprehending large systems in decision making.

It is also important to know what decisions can be avoided. This is not to suggest a "wait until tomorrow" mode, but some situations will solve themselves. Other decisions will take care of them. Of course we must always remember that *no decision* is in fact, a decision.

A new concept that has come up rather recently is the *first derivative solution*. If such a decision has been made, then the *rate of increase* of new solutions in that area exceeds the rate of increase of new problems. This is a result of good decision making. Some people would call this a good policy decision process. That is, you look at the whole situation, you look for a number of situations that are similar, and then you make a policy decision affecting a large percentage of the problems. First derivative decisions tend to make an organization self-managing. That's because someone has been making decisions that stamp out many prob-

lems as a result of the decision making process itself.

All too often decision makers resort to reorganization as a solution. This is very common in entities such as government. I'm sure you are all familiar with the situation that when things aren't working too well, a reorganization is frequently the next decision.

Many times this approach is nothing but an escape mechanism. In most instances, there is no definite program to evaluate advantages of the new organization versus advantages of the old. And even if the new organization is a slight improvement, we don't always consider the disruption or distraction that goes on during the reorganizing. It may not be worth the effort.

Another of our difficulties is that every year we seem to have a new "buzz word" solution, be it PERT, Value Engineering, Zero Defects, or what have you. We're always looking for the simplistic solution, even if it's a slogan or cliché. What it causes us to do is overfocus on one or two positive factors, and underfocus on, or completely avoid the deterrents to success. We seem to overlook the negative factors when on a new "buzz word" kick. One of the key factors we found in our project management study was that not only do you have to *accentuate the positive*, but you must also *eliminate the negative*. By overfocussing on one small area, a few negative factors may come up when you're not looking and bite you where it hurts.

In short, there are no panaceas. There are no magic solutions to management. But there are certain key decision actions in all management situations. Such things as clearly stating objectives at the very start. What are we trying to do? What

is the problem? And also, who is to be satisfied? When we have a success, we can also learn by asking another series of questions. What did we *do*? What did we *solve*? *Who* have we satisfied?

One of our major errors in decision making is *overuse* of tools and techniques. It's quite obvious that when judiciously applied, our management tools and techniques are helpful. But all too often, we just generate additional paper. I've heard that it takes 30 percent more paperwork to complete the government *procurement* process on an airplane than it takes to *build* the airplane. And a lot of it just generates extra information flying around.

Before I close, I'd like to cover another style of decision making which you may have heard about. It is called the Japanese style of decision making. *Fortune* covered it a few months ago. While it's quite different from what we do in the U.S., it appears to be quite successful. Some claim it's even more successful. The Japanese use the concept of *you*, as opposed to the *I* used so extensively in this country. In a conference, the Japanese pick everyone's brain. What do *you* think? How do *you* suggest we should do this? Implementers and the action agents are included in the decision process. In bringing in the implementers and taking more time to make the decision, it may appear to take longer, but it has proven quite efficient in the overall IDA process. And it's certainly good for morale, and if nothing else, provides for ease in implementation since the doers have contributed. Even if it didn't go 100 percent their way, the doers at least understand the name of the game. I think it's a style of management that's coming to the fore, and I would strongly urge you read the *Fortune* article.

The Editor Comments: While Dr Kelley is from academia, he is no stranger to DoD activities. After graduating from Annapolis, he served as a Navy combat and test pilot, and was Project Manager for their Eagle Missile System. Along the way, he earned his Doctorate at MIT in aeronautical and electronics engineering. He also was NASA's Program Manager for the Agena Space Vehicle. It's easy to see that Dr Kelley is well qualified to address decision making. Incidentally, the article he mentioned describing Japanese management is in the March 1975 issue of *Fortune*.

MIS ... MORE THAN COMPTROLLERSHIP

While this topic may appear to be somewhat controversial—considering the title—it really isn't anti-comptroller. It is concerned, actually, with better utilization of certain management science resources. These include computers, data communications, and the information technologists who are charged with the responsibility for developing and applying the systems which serve all management elements.

If we are to properly apply this man-machine combination, we need to have an understanding and an agreement as to the meaning of basic terminology. With that common point of departure we can then evaluate the appropriateness of application of resources available to an activity and determine if they are being used in an economical, effective and efficient manner. Those words are certainly familiar to you, coming, as they do, from PL81-216 which established the comptroller function in DOD.

I'd like to believe that we've reached the point where we no longer have to belabor basic definitions. But there is one relatively new term which must be examined in order for us to communicate and explore the relationship of MIS to financial management. That, of course, is Management Information System. Dispensing with the usual tedious interminable discussions concerning the fundamental definition of "MIS" let's accept the fact that we are concerned with the creation of a system which results in a consistent, compatible planning and control method that provides meaningful information, at the most appropriate time, to those at each management echelon, who can use it to take proper action for decision-making, and do all of this in the most economical manner.

Now for those of you who say we've been trying to do this (i.e., develop a uniform system for both planning and control) in the financial management area for many years and have not yet succeeded, let me hasten to explain that I'm not



Professor Walter J. Kennevan
Program Director
Management Information Systems
The American University

speaking of financial management—*solely*. I'm referring to a system which also supports production management, R&D, supply management, personnel management, in fact all of the functions of a DOD organization, in Washington and elsewhere.

If you think the proposed creation of such a system simply typifies the ephemeral wishful thinking of a double-domed academic theoretician, please let me disabuse you of that notion by assuring you that I can give you a number of practical references to such systems in being, and I will do so a bit later. So I think it behooves us to be optimistic, not unduly so, but reasonably, in expecting to obtain the consistency of information which is required for the planning and budgetary processes, and so valuable in terms of uniform feedback from the accounting system thus serving local management and control, as well as central planning and budgeting. This is the kind of information which is susceptible to rational interpretation on the "Hill", the GAO, OMB, at the highest levels of DOD on down to the smallest remote outpost, with appreciation of the fact that what is reported, translated and applied can be done with consistency, and consequently the possibility for misinterpretation is held to an absolute minimum.

How can this be achieved? Well, I'm very well aware of the fact that this is quite a gargantuan task, so we need to first consider the fundamental components necessary for a workable MIS which will embrace all appropriate requirements. These include a data collection system, a data processing system and a data communications system. If we relate just one of these parts—the data collection system—to the varied functions to be serviced, such as personnel, procurement, production, financial management, etc., and attempt to design a system so that source documents will serve various purposes, we begin to have an appreciation of the complexities involved. And that's just one feature of an MIS—the compilation of multipurpose data. Obviously, the legitimate input requirements of each management function must be satisfied. Then, assuming that we've conquered that hurdle, we've got to process the data and relay it to all who have an interest in the generated information. Moreover, we should be able to do this faster, with greater accuracy, and at a lower cost than the present disparate systems—otherwise why bother?

There are government and private industry organizations which are successfully using MISs which cross organizational and functional boundaries, using standard data elements, and providing compatible information to all parts of their operations. This is being done in the cities of Sunnyvale and Pasadena, Cal., Nassau County, N.Y., in Los Angeles, and in so many business organizations that I could go on interminably. Let me mention just a few well known organizations which have publicized their effective MISs—Burlington Industries, Westinghouse, Southern RR, John Hancock Life Ins. Co., Pillsbury, Ford Motor Co., Citibank, J.C. Penney, 1st National Bank of Chicago, Seagrams, American Airlines, Eastern Airlines, A.O. Smith, Freuhauf Corp. It is interesting to note that those cited represent a

variety of industries. So why isn't the same sort of system uniformity possible in defense? It is, progress is being made but it seems painfully slow and much remains to be accomplished. I readily recognize that the enormity of size and complexity of operations of DOD tend to make comparison with other organizations quite difficult, even odious, but the possibility for attaining significant benefits as a result of system improvements necessitates a positive approach to problem alleviation.

I am sure that it comes as no surprise to most of you that many of the major breakthroughs in the effective use of computers started in the Federal Government. For example, readiness reviews, the impetus for development of a common business-oriented programming language, performance evaluations, just to name a few. But we do seem to be a bit delinquent when it comes to use of the computer resources for other than application as a high priced calculator and as a clerical surrogate.

Why is this so? Well, one of the prime difficulties in devising an effective MIS is to try to give proper consideration to management's needs at every level—and in defense there are many, many levels. Experience has shown that to accommodate the diverse demands and prescribe and provide the information which is useful to all echelons necessitates capable representatives from all levels, all specialties, all functional areas to participate in devising the system. This can be in varying degrees, the important point is that those who will be contributors to the system by providing basic input, together with those who use the finished product, i.e., information, should have key roles in the system design. This doesn't mean that when a uniform system is developed the compilation of unique, discrete data is precluded for any one of the concerned component levels. The point is that information which is useful at more than one level should be susceptible to standard system design so that ultimate actions can be based on comparative factual material. If there is a legitimate need to supplement the system with nonstandard information it can be appended to the system, provided that it is not duplicatory. The basic idea is to develop

the system in such a manner that redundancy is eliminated, thus avoiding the unnecessary expenditure of vital resources, e.g., funds, and the time of people who design the system, compile the data, manipulate it, and, most importantly, use the product. Such assets are dissipated whenever there is repetitious origination, collection, processing and dissemination of information which can serve more than one purpose.

Those are some of the patent disadvantages, the latent loss is even more significant and insidious.

**WE NEED TO CONSIDER
CHANGES IN SYSTEMS OR-
GANIZATIONS IN THE PAST
FEW YEARS.**

When we consider the translation effort which must be made in the various organizational entities in order to reconstruct material in such a manner that it can be used effectively, then, the mis-spending of money, misuse of manpower, and the muddlement of management becomes recognized as an extravagance no one can afford.

Considering your vital role in kneading the defense "dough" certainly all in the field of comptroller-ship are entitled to the best system that can be devised to satisfy your many purposes. But an MIS must go beyond that and also serve the interests of those outside of your sphere of interest. And that is the theme of this talk "MIS—More than Comptrollership." Above and beyond the requirements for information used for budgetary and accounting purposes, there exists a responsibility for MIS personnel to also support other components in devising a system which provides information which can be applied for nonfinancial as well as financial purposes.

To obtain a better understanding as to what is involved in the development of such a system, we need to consider the changes which have occurred in systems organizations in the past few years and the reasons for those changes.

A look at the typical data processing department of the mid-60's would show three basic parts—systems, programming and

operations. These would be under a director, who frequently reported to the comptroller, or some lesser financial management officer. It was simple, effective and satisfactory, for the functions performed, and the organization elements which were served. Especially so, since concentration of effort was focused on information management at the operations level, providing administrative support, such as payroll processing. I am neither denying or denigrating the importance of those services. However, they were concerned solely with information management, with concentration on the control function.

Not so today, many progressive organizations (for example, those mentioned earlier), are no longer fettered with just information processed for administrative control purposes, but also subscribe to the systems approach which includes information useful for planning processes.

However, that demands a far more sophisticated department than those of the mid-60's. Consequently, a modern information systems department has a number of prime ingredients, in addition to the basics of a few years ago. For example, these could include data base administration, long range planning, telecommunications, system design, applications programming, maintenance programming, management science, security, control and computer operations.

The complexities and diversifications inherent in the operation of a department encompassing those elements would appear to be reason enough as to why many organizations have established independent MfS departments, charged with providing services to the entire enterprise. But an even more important reason is to avoid applying functional labels to the system and to insure its recognition as an overall asset available to whomever and wherever a proven need exists.

As a result, this distinct MfS service function has come of age to the point that it requires an information technologist to surface the opportunities and apply management science resources most appropriately, as well as manage the diversity of people necessary to do an effective job. This requires an MfS

director who has something more than technical ability, and that is managerial capability, together with a true appreciation of his role in supporting line and staff management elements.

Well, you say "that sounds fine, but I've heard those bromides, platitudes, promises, cliches and banalities before." Groups of experts such as just mentioned, have been around for some time. Sometimes they've come up with solutions to problems which don't exist and sometimes have created some that need not have occurred! So how can you be assured that proper attention will be given to your vital requirements? Well, since a key link in any MIS must be the financial management element, you must participate in the system design by having capable people work with the technicians in designing a system to assure that your needs are properly interpreted and satisfied. Comptroller personnel will retain the responsibility for initiating financial management data and the other functional areas will have the same responsibility for their special interests.

Insofar as financial management is concerned, you are the people who determine *what* is required. The MISers have the liability in deciding *how* your segment of management information can best be acquired, melded with the requirements of others, processed and distributed to the proper recipients.

We must keep in mind the need for non-financial information too, so the MIS must also account for those needs. Also, the processing and dissemination problems should not be yours. They should be resolved by an MIS service unit and that group has the burden of furnishing rapid, economical, accurate and uniform conversion of data into information for use everywhere in the organization. This is an appropriate point at which to note the necessity for constructive application of one of the comptroller's vital resources—the auditors. Their expertise should be invaluable in assuring that the MIS is properly satisfying the needs of all levels of management.

The time has arrived for the comptroller to be relieved of the prime responsibility for developing and implementing data processing systems, particularly so,

now that we have gone beyond the original reasons for using ADP. Those, of course, were to reduce clerical and associated costs. The hardware substitution age is past, by now we've accomplished the conversion of manual and mechanical systems to ADP, where appropriate. Now it is time to take a more comprehensive look at the utilization of information system resources and exploit the opportunities for applying these management accessories on an across-the-board basis.

It should no longer be necessary for the comptroller to dilute his essential functional responsibilities by having to manage and control a unit which is basically alien to the normal financial management planning and control activities. Instead, the comptroller is entitled to an information system service, which should also be provided to others. And when it is available to all, it can be expected to better provide systems uniformity, do the right thing and do it efficiently.

If all elements of DOD are to be expected to accomplish their missions with the greatest possible conservation of resources, then they're all entitled to current, correct information. You, as representatives of the comptrollers, more so than any others, must provide cooperation, support and understanding in the integrated systems development effort, in the required funding, and in the participation and review of design and operations.

I believe that many parts of DoD have already made some significant inroads in tackling this universal problem, and that's very encouraging. But I also believe that many in this room would agree that there is a long road ahead in employing the computer and its allied assets,

i.e., programs, procedures and people in the best possible manner. In the past, the federal government has been the leader in many of the advances made in the use of technological resources. There is no acceptable reason why this cannot be continued and expanded to include integrated design and application of MIS.

The technical features of systems design, programming and operations are well known and any problems in those areas are readily susceptible to solution. The key now is the willingness of people, notably yourselves, to provide support and understanding and join with those who appreciate your needs and have the ability to satisfy those requirements by application of the proper tools. Given that combination there should be no restriction in management improvement opportunities for everyone.

The Army Management School has a maxim "From Knowledge the Power of Decision" and that's what an MIS should do for the comptroller functions, i.e., provide the information which aids your decision-making power, with the result that there can be:

1. impressive reductions in the cost of systems design and operations through the DOD,
2. standardization of systems which involve more than one management function or echelon,
3. elimination of redundancy in data collection, processing and reporting, and
4. improved communications through systems integration.

The symposium theme is "Austerity and National Defense," and that certainly is consistent with my pleas for practical pervasive procedures permitting people to persevere in practicing prudence.

The Editor Comments: Mr Kennevan is not only an authority on MIS (Management Info Systems), but gained much of his experience in DoD. Before joining academia in 1970, he was ADP Systems Director in the Office of the Navy Comptroller. Having established that division in 1957, he considerably influenced the design of Navy ADP financial management systems. You Navy folks now know who to call on wondering "...who started all this stuff?" In addition to holding advanced degrees in Commerce and Fiscal Administration from Catholic University, and being Director of American University's MIS Program, Professor Kennevan has published extensively.

THE LAST WORD

Response to the April issue was both gratifying and encouraging. I thank all of you who took the time to give me your reactions. Our limited amount of magazine space precludes a "Letters to the Editor" column, but your thoughts are most appreciated. And your positive ideas will be translated into action. Keep them coming.

As has been ASMC's practice over a number of years, this issue is a condensation of our recently completed National Symposium. Major portions of each of the presentations are summarized, and the most significant questions and answers of the speaker-audience dialogue are also included.

In any publication such as ours, space is a noncompromising taskmaster. And as you probably have observed, several of our regular *AFC* features had to be held in abeyance. However, we did include a new column, Burton B Moyer's "CBICA...A Quarterly Report." Mr Moyer is perhaps the Pentagon's outstanding authority on this subject, and since CBICA will impact on all of us, I commend his summations to your regular reading.

Since we are approaching the 200th anniversary of the audacious idea that ordinary people have both the right and the capacity to govern themselves, there are many efforts underway to celebrate this historic event. In seeking an *AFC* contribution, we decided that encouraging a *self-evaluation* on the part of each of our readers would be very much in order. And we should all know more about ourselves.

Accordingly, the October issue will focus on Professional Development, with major emphasis on *self-renewal*. There is no doubt that each of us can make the Republic even greater by improving our skills and abilities so as to better carry out our responsibilities as citizens. And this implies both on and off-the-job activities.

As observed by John Gardner, we are witnessing changes so profound and far-reaching, that the mind can hardly grasp all the implications. These changes are taking place around us on an almost daily basis, in both domestic and international spheres.

Maybe the time has come for self-analysis on how well we have developed our mind so as not only to grasp, but more importantly, be able to participate in some of these changes. Such an effort would certainly be a grand personal contribution to the Nation's 200th birthday.

How about thinking this over between now and the next issue?



L.E.O.

IT'S NOT TOO EARLY TO PLAN FOR
NEXT YEAR'S PROFESSIONAL MEETINGS

HERE ARE FOUR YOU MIGHT CONSIDER:

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☐ **ASMC NATIONAL SYMPOSIUM**

MAY 1976 IN WASHINGTON DC

FOR INFORMATION CALL IRV SIGELE AT AUTOVON 289 2111

☐ **AGA NATIONAL SYMPOSIUM**

JUNE 1976 IN PHILADELPHIA

FOR INFORMATION CALL DENISE WOLFORD AT AUTOVON 225 9565

☐ **ASMC REGIONAL SYMPOSIUM**

OCTOBER 1976 IN COLORADO SPRINGS

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The American Society of Military Comptrollers

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CHAPTER

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ARLINGTON, VIRGINIA 22202

August 22, 1975

Lieutenant General Vernon A. Walters
Deputy Director
Central Intelligence Agency
Washington, D.C. 20505

Dear General Walters:

The American Society of Military Comptrollers is a professional organization of military and civilian personnel involved in or interested in the overall field of military comptrollership. The Washington Chapter, with approximately 600 members, holds monthly luncheon meetings, and normally about 150 people attend to hear speakers from various fields of endeavor.

Brig.Gen. E. J. DeLaune, former Washington Chapter President, who was in town recently attending the Army Chief of Staff's conference for Brigadier Generals/Designees, contacted our Army Secretary and suggested that you might be willing to address our group.

We would be most honored if you could fit us into your busy schedule to speak at a luncheon meeting on any one of the several dates we have already reserved at the Fort Myer Officers' Club -- October 15 and November 19, 1975 and January 21, 1976. Although our members are generally oriented toward financial management, we are sure any subject you feel appropriate would be stimulating and informative. If you have any questions about our organization, please call me at OX7-3355.

Sincerely,

G. H. ECKERT
Captain, SC, USN
Chapter President

27 August 1975

Captain G. H. Eckert, USN
Chapter President, Washington Chapter
American Society of Military Comptrollers
P. O. Box 2069
Washington, D.C. 22202

Dear Captain Eckert:

Thank you for your letter inviting me to speak to the Washington Chapter of the American Society of Military Comptrollers. I am not sure what I can say that would interest financial experts but I will be glad to give it a try. November 19 is a good date for me and I will put it on my calendar.

I would be happy to receive a little more background on your Chapter as well as some idea of the composition of the audience.

Faithfully,

Vernon A. Walters
Lieutenant General, USA

27 August 1975

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Chapter President, Washington Chapter
American Society of Military Comptrollers
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